

**TYING-IN OF SERVICES TO LOANS
SECURED ON LAND:**

**Proposals for Subordinate Legislation
using powers under the
CONSUMER CREDIT ACT 1974
to supplement powers under the
COURTS AND LEGAL SERVICES ACT 1990**

A CONSULTATIVE DOCUMENT

March 1992



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INTRODUCTION

1 The Government is determined to ensure that home-buyers are not coerced into buying services from mortgage lenders that they either do not want or would prefer to buy elsewhere.

2 There is a range of services that consumers may buy at the same time as taking a loan against the security of their home. Sometimes lenders offer "package deals" with loans on more favourable terms if certain services are bought from some specified supplier. Lenders are said "to tie" a service to a loan if the availability of the loan is influenced by whether the person from whom the borrower buys that service. Similarly brokers may "tie" a service to their arrangement of a loan.

3 The "Tying-in" Provisions of the Courts and Legal Services Act 1990 (CLSA), when brought into force, will prohibit most tying-in by lenders when making loans to buy homes. This means that lenders will not be able to make the availability of a loan depend on whether they, or someone to whom they are connected, provide certain services together with the loan. There will not be a ban on package deals. Lenders will still be able to offer such deals if certain conditions are met, in particular that borrowers will have been given specified information by a specified time.

4 This consultative document seeks comments on the Government's detailed proposals to implement the CLSA Tying-in Provisions. There was consultation last year on previous proposals. A summary of the response is at Annex A. The present proposals address various criticisms made during the previous consultation. Building on suggestions made by some consultees, these proposals have two parts:

First, every lender and broker will have to make clear to their customers if there is a link between the loan and the sale of some other service. This would be required for all loans secured on homes whatever the purpose of the loan. In the case of loans to buy a home, both lenders and brokers will have to make clear to their customers that lenders have to be willing to provide such a loan without also providing other services with it. This information would have to be provided as soon as practicable after the customer first enquires about the availability of a loan.

Second, for a loan to buy a home, every lender will have to give the borrower a comprehensive statement of the impact on the terms and conditions of the loan of the decision whether or not to take any other services with it. This information would have to be provided together with the mortgage offer.

5 Comments are invited on these proposals. In particular, we would welcome comments on the proposed use of the Consumer Credit Act powers to supplement those under the Courts and Legal Services Act. Comments are also especially invited on the likely costs of complying with these proposals.

6 All comments should be sent, by 24 April 1992, to:

Anne Scrope
Consumer Affairs Division
Department of Trade and Industry
Room 411
10-18 Victoria Street
London SW1H 0NN
(fax 071-222 9280)

Further copies of this consultative document can be obtained from the above address.

Explanation of Draft Consumer Credit (Quotations) Amendment Regulations 1992

7 Regulations can be made about the form and content of any document (a 'quotation') by which persons carrying on consumer credit, brokerage or hire businesses or who provide credit secured on land give prospective customers information about their terms of business for providing or arranging credit¹. These powers under the Consumer Credit Act are more flexible than those under the CLSA Tying-In Provisions in particular about the circumstances in which information has to be given and about the detail of the information. The existing Quotations Regulations² require quotations to be given in response to a request for written information about the terms on which the trader is prepared to do business and prescribe the form and content of the quotation.

8 The draft Regulations at Annex D require a lender or broker to give a quotation to anyone who enquires of that lender or broker about the availability of a loan secured on land. They require a lender to give information about the existence and nature of any links between such a loan and the purchase of other services. Similarly a broker would have to give a quotation containing information both about links between their arranging such loans and the purchase of other services and also, so far as possible, about links between the provision of the loan and other services. The lender or broker would have to give the quotation whether or not the person asks for it.

9 These regulations will make it unnecessary to have separate regulations under the Courts and Legal Service Act or under any other Act imposing requirements about tying-in on the information in advertisements for controlled services or residential property loans.

¹ Sections 52 and 152 of the Consumer Credit Act 1974, reproduced in Annex B.

² Consumer Credit (Quotations) Regulations 1989, which are reproduced at Annex C.

Coverage

10 Under Regulation 7, a loan which is secured on land can be either:

a "CLSA loan", ie any loan to buy a residential property to which the "tying-in provisions" of the Courts and Legal Services Act 1990 will apply; or

a "non CLSA loan".

Thus the new provisions will apply to all loans secured on land in the UK. These include not only loans for the purchase of a home but also second mortgages, further advances, and any other loan secured on a borrower's home. This wide coverage is in contrast to the CLSA Tying-In Provisions which apply only to loans for the purchase of homes and which also, for the most part, apply only to lenders. These restrictions have been greatly criticised. Comments are invited on the coverage of these regulations.

Nature of Links

11 These Regulations also distinguish between three types of services: required, tied and trigger. These distinctions apply whether the loan is a CLSA or a non CLSA loan.

12 Required services are those which a lender requires a customer to buy as a condition of his providing the loan. For example, a lender might insist on structure insurance. The condition may or may not let the borrower choose the supplier of the required service. Similarly, required services in relation to brokers are those a broker requires a customer to buy as a condition of his arranging the loan.

13 In the case of a lender, a service is a tied service if the availability of the loan is influenced by whether or not the customer buys that service from him or from a "connected person" (see paragraph 15 below). Similarly, in the case of a broker, a service is tied if the availability of his brokerage is affected by whether or not the customer buys that service from him or from a connected person.

14 Tied services may include services for which the borrower pays but which are provided to the lender or broker. Examples include mortgage valuations, the lender's conveyancing, or a mortgage guarantee policy under which the lender is the insured party. Tied services may also include services that are not provided "together with the loan". Examples might include car insurance or financial advice or other such services not related to the loan but which the lender or broker also sells. The Regulations will ensure that the borrower is told of any such link before entering into any commitment.

15 A "connected person" is another member of the same group of companies or someone who will pay the lender or broker a commission or some other financial benefit. Paragraphs 38-40 describe the position with regard to connected persons under the CLSA Tying-in Provisions.

16 If a lender varies the terms or conditions of a loan depending on whether he or a connected person sells the borrower some other service, then that service is a trigger service.

17 The definition of trigger services is similar to that of controlled services under the CLSA Tying-in Provisions (see paragraphs 29 - 31). But there are important differences. Controlled services are only those provided to a borrower; required, tied and trigger services may all be provided to either the lender or the borrower. Furthermore these provisions will apply to all loans secured on land. During the earlier consultation many consultees argued that anyone taking a loan secured on their home is entitled to know from the outset whether the loan would be linked to the sale of some other service.

18 These distinctions between required, tied and trigger are necessary as the true cost to the borrower of the loan is influenced by the type of any link between the loan and any service. If lenders and brokers apply such links, then their customers need to know. But it is clear that at present, many borrowers do not. Comments are invited on these definitions.

Timing of quotations

19 Regulation 8 applies to lenders. In some cases customers approach lenders directly, in others their approach is through a broker. If the approach is direct, the lender will have to give the quotation as soon as practicable after the customer first enquires about the availability of a loan. It might be most convenient for lenders to include the information in their brochures. If the approach is through a broker, the lender will have to give the quotation as soon as practicable after he receives an application form, whether or not that form is properly completed.

20 Regulation 9 applies to brokers. Whenever a broker introduces a borrower to a lender he must provide information both about his own terms of business and, insofar as he knows them, about the lender's. If the broker does not introduce the borrower to a lender when the borrower first enquires about the availability of a loan, then the broker must provide information about his own terms of business as soon as practicable.

Content of quotations

21 The details of the information that must be included in the quotations given by lenders and brokers are specified in the Schedules. In drafting these, ease of understanding has been given a higher priority than brevity. There are six additional Schedules: one for each of the different circumstances in which information must be given to borrowers. (Schedules 1 - 4 refer to information required by the 1989 Regulations.)

Schedule 5 Information to be contained in quotations provided by lenders relating to a CLSA loan;

Schedule 6 Information to be contained in quotations provided by lenders relating to a non CLSA loan;

Schedule 7 Information to be contained in quotations provided by brokers if not immediately introducing the borrower to a lender for a CLSA loan;

Schedule 8 Information to be contained in quotations provided by brokers if not immediately introducing the borrower to a lender for a non CLSA loan;

Schedule 9 Information to be contained in quotations provided by brokers when introducing a borrower to a lender for a CLSA loan;

Schedule 10 Information to be contained in quotations provided by brokers when introducing a borrower to a lender for a non CLSA loan.

22 Schedules 5 and 6 specify the information which lenders will have to provide to customers. The quotation will have to specify any services that are "required" or "tied" or "trigger". It will also have to make clear how the availability or the terms and conditions of the loan might be affected by decisions over the purchase of each such service. The quotation will also have to include prescribed statements about the relationship between the loan and other services. In cases where there may be tied or trigger services, the prescribed statements in Schedule 5 makes clear that lenders have to be willing to provide the loan whether or not they provide the borrower with other services together with the loan. In addition, if appropriate lenders must warn of charges for services in the event that the loan is not provided.

23 Schedules 7 and 8 apply when a broker does not introduce a borrower to a lender when the borrower first enquires about the availability of a loan. In these cases, as soon as practicable, the broker must make clear the terms on which he is prepared to arrange a loan secured on the customer's home. The quotation will have to specify any services that the broker "requires" or "ties". It has been assumed that, as they are not providers of loans, brokers do not vary the terms and conditions of the loan. Therefore "trigger" services are not relevant to brokers' quotations. The broker will also have to include prescribed statements about the relationship between the loan and other services. The prescribed statement in Schedule 7 makes clear, where appropriate, that the lender must be as ready to provide the loan whether or not the lender also provides any other services with it.



24 Schedules 9 and 10 specify the information a broker must provide whenever he introduces the customer to a lender. As well as information about his own terms of business similar to that required in Schedules 7 and 8, he must tell the borrower about the lender's terms of business, insofar as he knows these terms. In addition, if appropriate brokers must warn of charges for services in the event that the loan is not provided. The specified wording makes clear that in these circumstances the brokerage fee may not exceed £1.

Form of Quotation

25 The prescribed statements may not be changed in any way. It must be clearly presented and appear separately from any other information in the document. All the information must be in a document that the borrower can keep.

26 Comments are invited on all aspects of this proposal.

Explanation of Draft Residential Property Loans (Tying-in Arrangements) Order 1991

27 The CLSA Tying-in Provisions³ provide that lenders shall not provide a loan together with one or more "controlled services" to borrowers unless specified information is provided before a "relevant step" is taken with respect to these services or the loan. This restriction on tying-in applies only to a loan to an individual to buy property for residential use by him or his dependant. These sections are reproduced in Annex E. A lender is treated as providing a controlled service if he either is a member of the same group of companies as the service-provider or derives any financial benefit from the provision of the controlled service. Section 105 gives The Secretary of State the power:

to define "controlled services";

to define "relevant step";

to define the "price which will be payable by the borrower for each of the controlled services if they are all provided in accordance with the terms proposed by the lender";

to specify the circumstances in which land is to be treated as being for a person's residential use;

to specify who are to be treated as a person's dependants.

to specify in what circumstances the lender is not treated as providing a "controlled service";

All these matters are dealt with in the draft Residential Property Loans (Tying-in Arrangements) Order 1992 at Annex F.

28 The information that must be provided will be specified by separate regulations. A draft of these, which is explained in paragraphs 42 - 48, is at Annex G.

³ Sections 104 - 107 of the Courts and Legal Services Act 1990, which are reproduced at Annex E.

Controlled Services.

29 A residential property loan can be provided together with a "controlled service" only if two conditions are met⁴.

First, the lender must be willing to provide the loan if it is provided without any controlled services. The terms and conditions of the loan may differ according to the borrower's decision whether to take a controlled service; the availability of the loan may not be affected by this decision.

Second, the lender must give the borrower certain information by a specified time.

Services provided to the lender cannot be "controlled services" even if paid for by the borrower. Such services may include mortgage valuations, the lender's conveyancing, and a mortgage guarantee policy under which the lender is the insured party. Under the Tying-In provisions, a lender is still able to require a borrower to take a service and to specify this service closely, provided only that the lender does not also require that he or a person connected with him (see paragraphs 38 - 41) provides that service.

30 Article 2 of the draft order defines "controlled services" to include any service provided together with the loan. This proposal would mean that the two conditions described in paragraph 29 have to be met by lenders whenever they provide a loan together with any other service. Therefore, it would only be possible to offer a loan linked to the provision of controlled services if the lender were also prepared to offer the loan without those services. Thus lenders when offering "package deals" would have to offer borrowers the alternative of the loan by itself. In which case the terms and conditions of the loan by itself might then be different. Comments are invited on this proposal.

31 The previous proposal defined controlled services by listing all the types of services considered likely to be provided

⁴ Under Section 104(2) of the Courts and Legal Services Act - see Annex E.

together with residential property loans. During the consultation, several further suggestions for inclusion were made. The main area of controversy was whether or not current accounts should be a controlled service. While a current account with the lender may be an efficient and cost-effective means of making repayments, this is not an argument for lenders making the availability of a loan conditional upon opening a current account with them. Such conditions distort the market for current accounts. So Article 2 does not contain an exclusion for current accounts or for any other service.

Relevant Step

32 The "relevant step" is the stage before which the lender must have provided the borrower with the specified information if the residential property loan is to be provided together with any controlled services⁵. Article 3 makes the relevant step an action taken by the borrower after he has received a written statement of the terms and conditions on which the lender would be prepared to provide the loan to the borrower. This means that the lender will have to provide the information either with the mortgage offer or earlier. Comments are invited on this proposal, particularly on whether it will be as appropriate in Scotland as in England and Wales.

33 The previous proposal put the "relevant step" at the outset of discussions. This was to ensure that potential borrowers would be provided with information about their rights whilst it would still be possible for them to shop around. Under the current proposals, the expanded Quotations Regulations would ensure that borrowers get this information at an early stage. The CLSA requirements will ensure that borrowers are also provided with information about the price of controlled services and about the impact on the terms and conditions of the loan of their decision whether to take these services with the loan. For the most part, this further information, which must be provided before the relevant step, could not be provided any earlier.

⁵ Under Section 104(2) of the Courts and Legal Services Act - see Annex E.

Price of controlled services

34 Before the relevant step is taken, the lender must provide the borrower with a statement that includes the price which will be payable for each of the controlled services if they are all provided on the terms proposed⁶. "Price" is to have the meaning given to it by the Secretary of State.

35 Article 4 of the draft Order defines "price". It distinguishes between cases when the price is known and when it is not. In cases where payment is by adding the amount due to the loan or where the price is a variation in the interest rate for the loan, the lender will have to show what this is likely to mean in cash terms in a full year. Comments are invited on this proposal.

Land for residential use

36 The tying-in provisions apply only to loans to buy property for residential use⁷. Under Article 5 land would be treated as being for "residential use" unless the lender had good reason to believe that this would not be the primary use. Under this proposal, lenders would have to satisfy themselves that the primary use was not residential before making a loan conditional upon the provision of some other service. During the previous consultation, comments were invited on either this proposal or a detailed definition following that used in another Order. Those who commented were unanimous in their preference for the simple alternative.

Dependants.

37 The tying-in provisions apply only if the property is for the residential use of the borrower or a dependant of his. Under Article 6, a borrower's dependant is anyone who is either:

at least partly maintained by the borrower; or

⁶ Under Section 104(3)(c) of the Courts and Legal Services Act - see Annex E.

⁷ Under Section 104(1) of the Courts and Legal Services Act - see Annex E.

will be allowed to occupy the property without payment to the borrower.

During the previous consultation, there were criticisms of various exclusions. The present proposal is both simpler and wider. Comments are invited on this proposal.

Providers of controlled services

38 The Act treats the lender as providing a controlled service if it the service is provided by:

the lender; or

another member of the same group of companies as the lender; or

anyone else if the lender derives any financial benefit from the controlled service being provided.

In the proposed amendment to the Quotation Regulations, these other providers are defined as "connected persons" (see paragraph 15). Unless the specified information has been provided before the relevant step is taken, the lender is prohibited from providing the loan if a controlled service is provided with it either by himself or by a connected person.

The Secretary of State may relax this restriction where the lender himself does not provide the service⁸.

39 The relaxation proposed under Article 7, means that the lender would not have to provide the specified information for services provided by any other person if the availability, terms and conditions of the loan are not affected by whether the borrower also takes the service. Comments are invited on this proposal.

40 Whether there should be any relaxation of the tying-in restrictions was the issue that provoked the most comment during the previous consultation. On the one hand lenders were concerned that they might be prevented from finalising a loan by

⁸ Under Sections 105(5)-(7) of the Courts and Legal Services Act - see Annex E.

late discovery of the prospective borrower's dealings with a company with which they had links. Some lenders from large conglomerates would only be able to avoid this risk by swamping borrowers with information. While much of the information would be of no interest to the borrower, it would be expensive to provide and to keep up-to-date. These concerns are met under the present proposal as a lender will be aware that the service is being provided if it affects the terms and conditions of the loan.

41 On the other hand, many consultees were concerned that any relaxation would become a much-used loophole. There was a fear that lenders might exert considerable pressure on borrowers to take services in circumstances covered by the exemption. However the Tying-in Provisions will ensure that, if there is a relevant relationship between the lender and the supplier of the controlled service, a lender may never make the availability of the loan depend on whether the borrower also takes that service.

Furthermore, the amended Quotations Regulations will ensure that borrowers know from the outset what if any link the lender applies between any service and the loan.

Explanation of Draft Residential Property Loans
(Tying-in Arrangements) (Notices and Statements) Regulations 1992

42 If the lender is to provide a residential property loan together with any controlled service then before the relevant step is taken, the lender must provide the borrower with specified notices and also a statement of

the price which will be payable for each of the controlled services if they are all provided on the terms proposed; and

the impact on the terms and conditions of the loan of the decision whether to take those services.

The terms and conditions of a loan include all those cited in the mortgage offer as well as anything else that is influenced by a borrower's decision whether to take controlled services with the loan.

43 The proposal is that all this information should be in a single document in three sections: the general information; the price information; and the description of the impact. The Draft Regulations at Annex F specify what information must be included and its presentation.

44 Under the proposal, the first section of the statement must include the following in the specified order:

1. The following heading:

"IMPORTANT INFORMATION ABOUT YOUR PROPOSED MORTGAGE"

2. "*The loan can be provided together with the following service[s]:*" followed by a list of the service or services;

3. "*Price information about [this][these] services is attached.*"

4. "*This loan is also available without any other services.*"

5. As appropriate, either

"This document also describes the extent to which the terms and conditions of this loan would differ if provided without [these][this] other service[s]."

or

"The terms and conditions of the loan will be the same whether or not provided with [any of these][this] other service[s]."

6. As appropriate, either

The terms and conditions of this loan may change, even after it has been made.

or

"The terms and conditions of the loan cannot change after it has been made."

The only other information that may appear in the first section is the name and address of the lender, the name and address of the borrower, and certain details of the loan. The lender may decide whether this extra information follows or precedes the prescribed heading.

45 The second section, which must be headed with the title "PRICE INFORMATION", must contain the statutory price information for controlled services being provided with the loan. In this context, "price" has the meaning given it by the Secretary of State, described in paragraphs 34 - 35. For each Controlled Service the text must conclude with the following:

The loan and [name of service] are separate services. This loan is also available without this or any other service.

This section may not include any other information.

46 The third section of the statement is required only if the terms and conditions of the loan would differ if any other service were not provided with it. It must start with a new page with the following heading:

TERMS AND CONDITIONS OF THE LOAN

This loan is also available without any other service. If you decide to take only the loan, the terms and conditions will be different. The differences are described below. There will not be any other difference in the loan.

For every difference there would have to be the statement:

If you decide to take this loan without any other services, then the difference in the [term or condition in question] will be:

followed by a simple, easily understood description. This section may not include any other information.

47 A "package deal" might restrict a borrower's freedom at any time to change from the lender's chosen provider of a service, such as property insurance. If so, this might be a difference between the conditions of the loan as part of the package and the conditions of the loan provided by itself. If so, this difference would have to be made clear. Similarly the statement would have to make it clear if the difference were a condition that the borrower pay some fee if the insurance is changed at a later date.

48 Comments are invited on these proposals.

Coming into force of the Tying-in Provisions and
associated subordinate legislation

49 The Tying-In Provisions of the Courts and Legal Services Act will come into force on a day to be specified by Order. It is proposed to use the same as for the introduction of the subordinate legislation, ie:

The Residential Property Loans (Tying-in Arrangements)
Order 1992

The Residential Property Loans (Tying-In Arrangements)
Notices Regulations 1992 and

The Consumer Credit (Quotations) Regulations 1992.

In deciding the date for coming into force, a number of considerations will need to be taken into account. On the one hand, those affected need time in which to bring both their practices and their documentation in line with these proposals. On the other hand, it is desirable that borrowers should be able to benefit as soon as practicable. It is proposed to allow four months between:

- a) the date when the subordinate legislation is published and laid in Parliament, and
- b) the date when the Tying-in Provisions come into force.

Comments are invited on this timing.

Assessment of Compliance Cost

50 The Tying-in Provisions under the Courts and Legal Services Act, when brought into force, will ensure that home-buyers are not coerced into buying services from mortgage lenders that they either do not want or would prefer to buy elsewhere. The proposed extension of the Quotations Regulations will ensure that all those considering loans to be secured on their homes are provided with the information they need to ensure that they get the best deal both over the loan and over other services they may want at the same time.

51 Whilst the information provided under both sets of subordinate legislation may not affect the borrower's decision in every case, this information may make it possible in many cases for the borrower to reduce his outgoings significantly not only at the time of taking out the loan but possibly throughout the period of the loan. But these benefits can only be gained at a cost.

52 In considering proposals for new regulations, the Government place great importance on giving due weight to business' perception of the proposal's likely impact on business. To measure this impact, a Compliance Cost Assessment is produced for all such proposals, and made available to business on request. Therefore, in giving your views on the proposals described in this document, it would be particularly helpful if you could identify and quantify any additional direct or indirect costs (recurring and non-recurring) that would be likely to arise for your business as a result. Examples of recurring costs include extra staff and paperwork. Examples of non-recurring costs include additional expenditure on computer systems and other capital expenditure.

53 Comments are invited on the Preliminary Compliance Cost Assessment at Annex H on the proposals set out in this consultative document. It would assist us to prepare the final Assessment, if consultees could provide estimates of the cost to them or the people they represent, both of the introduction of these proposals and of the ongoing costs of complying with them. It would be helpful to know the basis on which the estimates were calculated and also the effect on these estimates of any changes

proposed by the consultee. If the length of the period between publication of the subordinate legislation and its coming into force is likely to affect costs significantly, it would be helpful if information could be provided on how the cost would vary.

TYING IN OF SERVICES TO RESIDENTIAL PROPERTY LOANS: PROPOSALS FOR SUBORDINATE LEGISLATION

SUMMARY OF RESPONSES RECEIVED TO CONSULTATIVE DOCUMENT

The consultative document was issued in February 1991. We received many useful comments including detailed drafting points, criticisms of the proposals, and suggestions for alternative ways of implementing the Government's intentions. A total of 46 organisations commented. These included lenders, insurers, lawyers consumer groups, other representative bodies and some individuals.

Many consultees took the opportunity to comment also on the primary legislation, the Courts and Legal Services Act 1990 (the Act). There was concern that this Act did not give the Secretary of State for Trade and Industry sufficient powers. The powers are needed to prevent borrowers from being coerced into buying with their loan services that they either do not want or would prefer to buy elsewhere. In particular, many consultees were critical that the safeguards under the Act apply only to loans to buy houses, eg remortgages are not covered. Similarly many consultees were concerned about the lesser protection for borrowers who use intermediaries to arrange their mortgage. Several consultees were disappointed that the Act did not prohibit lenders providing 'packages', ie loans on special terms when taken together with other services.

It was generally agreed that the proposals were clumsy. There are difficulties with the proposed subordinate legislation because the Act is drafted on the basis that there will be a single stage by when all of a wide variety of information must be given to prospective borrowers. Despite this criticism of the proposed secondary legislation it was on the whole considered preferable to a code of practice. A number of consultees were sceptical of the industry's ability to police a system of self regulation. It was accepted that self regulation would not necessarily be simpler or satisfactory. There were a number of proposals for simplification.

Consultees' comments on the draft subordinate legislation are summarised below.

ARTICLE 2 Controlled Services

Aim: that "controlled services" be all those likely to be provided together with residential property loans by lenders or persons connected with lenders.

27 respondents commented. 9 were content with the proposed coverage. Suggestions for additional coverage were made by a further 8 organisations. Home improvements, relocation services and drafting of wills were among the suggestions received.

On the specific question whether current accounts should be a controlled service, 4 of these 17 expressed a firm wish to see them included. 2 organisations expressed opposition to the inclusion of current accounts.

ARTICLE 3 Residential Property

Aim: a convenient definition that covers all cases where the primary use is residential.

30 respondents commented on this Article. Their overall view was that the requirement was unnecessarily complicated. 25 organizations advocated the removal of the minimum area criterion, seen as a source of a number of potential difficulties giving scope for loopholes.

The criterion of "reasonable belief" was suggested in the Consultative Document as an alternative to a minimum area criterion. 9 consultees favoured this approach, of whom 5 proposed that the lender should rely on a statement from the borrower on proposed use.

ARTICLE 4 Dependants

Aim: blood and legal relatives provided that they are wholly or partly maintained.

13 respondents commented of which 3 were content with the original proposal. Their overall view, supported strongly by legal and consumer groups, was that 'relative' should cover a number of additional non-traditional relationships and not be restricted to blood, marriage ties or financial relationships. A number of alternative definitions already used in other Acts were suggested for consideration. These were: Housing Act 1985, Estate Agents Acts 1979 and Consumer Credit Act 1974.

ARTICLE 5 Disapplication

Aim: to reduce the difficulty and expense of compliance so far as possible without significant impact on the protection for borrowers.

24 respondents commented specifically on one or other part of this proposal (several others questioned the interaction between it and the definition of controlled services). The consumer groups in particular were concerned that any disapplication could be used as a loophole. Opposition to the proposal was linked with the hope that the regulations would ensure that the notices be given to all prospective borrowers. The first part of the proposal, which primarily affected lenders that are members of groups of companies, attracted little specific criticism. It was welcomed by 7 consultees.

9 consultees focused on the second part of the proposal which distinguishes between direct and indirect financial benefits.

2 considered that it would be impracticable to include cases where there were only indirect financial benefits. The other 7 were particularly concerned that any disapplication for indirect financial benefits would result in widespread abuse.

ARTICLE 6 Price

Aim: to ensure that potential borrowers have sufficient price details of controlled services to be able to make well informed decisions.

25 respondents commented. Their comments indicate that there might be insuperable problems if the price information has to be provided early in the mortgage negotiations. In that case, the price information would have to be provided before the factors affecting it are available. The insurers also pointed out that specimen premia may have no bearing on an individual's circumstances because of the range of policies available. There were also concerns about misleading information. Parallels with current problems in relation to the Consumer Credit (Agreements) 1983 Regulations were highlighted.

5 respondents commented on the need to cover the possibility of a change in rate of VAT between provision of the notice and completion of the transaction.

7 were fiercely critical of the absence of any provision in the Act for the disclosure of commission. They compared this unfavourably to the Financial Services Act provisions for disclosure of commission.

ARTICLE 7 Relevant Step

Aim: to ensure that borrowers receive the notices in time to shop around.

27 organizations commented. This proposal was difficult to understand. It was not clear that respondents had understood the central issue. Nevertheless 10 respondents were content with the proposal. 11 organisations considered that the notices could be more informative if given later. The consumer groups and legal groups favoured the information being made available when application forms are distributed.

Two working days after receipt of the application was considered inadequate. Proposals were for between 4 and 10 working days. Consumer groups and enforcement bodies made the point that spoken messages are often more effective and that good salesmen are able to counter written warnings. Comparisons were made with similar situations in selling variable rate credit cards.

IMPLEMENTATION

Aim: to provide early benefit to consumers while allowing a reasonable time for lenders to make the necessary changes to

practices and documentation.

14 respondents commented. 6 agreed that three months was adequate. 8 organisations (lenders and insurers) considered that three months would not allow enough time for changes to documents and procedures and for training of staff. They proposed various periods of between 6 and 12 months. It was also pointed out that the implementation period would directly affect the cost of compliance.

REGULATIONS

Aim: Notices should simply and clearly explain that a borrower may take a loan without any controlled service.

26 respondents commented. Both notices and statements were seen as complicated and difficult to understand. 5 respondents pointed out that the notices and statements would be more informative and more easily understood if set out in Plain English style, particularly on referring to the lender as 'us' and to the borrower as 'you'. A number of alternative forms were suggested.

NOTICES: 12 organisations commented on the prohibition of additional explanatory text. While 4 organisations were opposed to the inclusion of additional text, the others favoured the addition of explanatory text on the basis that the proposed texts were not user friendly.

STATEMENTS: This requirement was complicated by the fact that borrowers may wish to take some but not all services leading to the possibility of a large number of permutations. 4 organisations were concerned that the form of the payment should be prescribed. In particular the effect on monthly repayments should be made clear rather than a bald statement about percentage differentials.

COMPLIANCE COST

Aim: to keep costs of implementation at a reasonable level while not compromising any of the aims of the legislation.

The Council of Mortgage Lenders provided revised estimates of the costs to lenders of implementing the proposals: £20m one-off costs and £5m recurring costs. The recurring costs represent about £5 for each new loan.

PART IV
SEEKING
BUSINESS
Quotations.

Miscellaneous

52.—(1) Regulations may be made—

- (a) as to the form and content of any document (a “quotation”) by which a person who carries on a consumer credit business or consumer hire business, or a business in the course of which he provides credit to individuals secured on land, gives prospective customers information about the terms on which he is prepared to do business;
- (b) requiring a person carrying on such a business to provide quotations to such persons and in such circumstances as are prescribed.

(2) Regulations under subsection (1)(a) may in particular contain provisions relating to quotations such as are set out in relation to advertisements in section 44.

Duty to
display
information.

53. Regulations may require a person who carries on a consumer credit business or consumer hire business, or a business in the course of which he provides credit to individuals secured on land, to display in the prescribed manner, at any premises where the business is carried on to which the public have access, prescribed information about the business.

Conduct of
business
regulations.

54. Without prejudice to the generality of section 26, regulations under that section may include provisions further regulating the seeking of business by a licensee who carries on a consumer credit business or a consumer hire business.

PART V

ENTRY INTO CREDIT OR HIRE AGREEMENTS

Preliminary matters

Disclosure of
information.

55.—(1) Regulations may require specified information to be disclosed in the prescribed manner to the debtor or hirer before a regulated agreement is made.

(2) A regulated agreement is not properly executed unless regulations under subsection (1) were complied with before the making of the agreement.

Antecedent
negotiations.

56.—(1) In this Act “antecedent negotiations” means any negotiations with the debtor or hirer—

- (a) conducted by the creditor or owner in relation to the making of any regulated agreement, or

PART X
ANCILLARY
CREDIT
BUSINESSES
 Advertisements.

Seeking business

151.—(1) Sections 44 to 47 apply to an advertisement published for the purposes of a business of credit brokerage carried on by any person, whether it advertises the services of that person or the services of persons to whom he effects introductions, as they apply to an advertisement to which Part IV applies.

(2) Sections 44, 46 and 47 apply to an advertisement, published for the purposes of a business carried on by the advertiser, indicating that he is willing to advise on debts, or engage in transactions concerned with the liquidation of debts, as they apply to an advertisement to which Part IV applies.

(3) The Secretary of State may by order provide that an advertisement published for the purposes of a business of credit brokerage, debt adjusting or debt counselling shall not fall within subsection (1) or (2) if it is of a description specified in the order.

(4) An advertisement does not fall within subsection (2) if it indicates that the advertiser is not willing to act in relation to consumer credit agreements and consumer hire agreements.

(5) In subsections (1) and (3) "credit brokerage" includes the effecting of introductions of individuals desiring to obtain credit to any person carrying on a business in the course of which he provides credit secured on land.

Application of sections 52 to 54 to credit brokerage etc.

152.—(1) Sections 52 to 54 apply to a business of credit brokerage, debt-adjusting or debt-counselling as they apply to a consumer credit business.

(2) In their application to a business of credit brokerage, sections 52 and 53 shall apply to the giving of quotations and information about the business of any person to whom the credit-broker effects introductions as well as to the giving of quotations and information about his own business.

Definition of canvassing off trade premises (agreements for ancillary credit services).

153.—(1) An individual (the "canvasser") canvasses off trade premises the services of a person carrying on an ancillary credit business if he solicits the entry of another individual (the "consumer") into an agreement for the provision to the consumer of those services by making oral representations to the consumer, or any other individual, during a visit by the canvasser to any place (not excluded by subsection (2)) where the consumer, or that other individual as the case may be, is, being a visit—

- (a) carried out for the purpose of making such oral representations to individuals who are at that place, but
- (b) not carried out in response to a request made on a previous occasion.

1989 No. 1126

CONSUMER CREDIT

The Consumer Credit (Quotations) Regulations 1989

Made - - - - - 5th July 1989

Laid before Parliament 6th July 1989

Coming into force 1st February 1990

The Secretary of State, in exercise of the powers conferred on him by sections 52, 152, 182(2) and 189(1) of the Consumer Credit Act 1974^(a) and of all other powers enabling him in that behalf, hereby makes the following Regulations:

Citation, commencement, interpretation and revocation

1.—(1) These Regulations may be cited as the Consumer Credit (Quotations) Regulations 1989 and shall come into force on 1st February 1990.

(2) In these Regulations, unless the context otherwise requires—

“the Act” means the Consumer Credit Act 1974;

“advance payment” includes any deposit but does not include a repayment of credit or any insurance premium or any amount entering into the total charge for credit;

“the APR” means the annual percentage rate of charge for credit determined in accordance with the Total Charge for Credit Regulations and Schedule 3 to these Regulations;

“cash price” in relation to any goods, services, land or other things means the price or charge at which the goods, services, land or other things may be purchased by, or supplied to, persons for cash, account being taken of any discount generally available from the dealer or supplier in question;

“cash purchaser” means, in relation to any quotation, a person who, for a money consideration—

(a) acquires goods, land or other things; or

(b) is provided with services,

under a transaction which is not financed by credit;

“Consumer credit tables” means tables contained in Parts 1 to 15 of “Consumer credit tables” published in 1977 by Her Majesty’s Stationery Office as modified by Correction Slips so published in December 1978 (being tables calculated in accordance with the principles set out in the Total Charge for Credit Regulations);

“contract of insurance” means a contract of insurance to which the Insurance Companies Act 1982^(b) applies;

“current account” means an account under which the customer may, by means of cheques or similar orders payable to himself or to any other person or by any other means, obtain or have the use of money held or made available by the person with whom the account is kept, and which records alterations in the financial relationship between the said person and the customer;

“customer”, except in the above definition of “current account”, means an

^(a) 1974 c.39; section 189(1) defines “prescribed”.

^(b) 1982 c.50.

individual requesting a quotation from a trader;

"hire payment" means any payment to be made by a person in relation to any period in consideration of the bailment to him of goods, other than an advance payment;

"premises" includes any place, stall, vehicle, vessel, aircraft or hovercraft at which a person is carrying on any business (whether on a permanent or temporary basis);

"quotation" means a quotation within the meaning of section 52(1) of the Act or section 152 in so far as section 52 is applied by that section to a business of credit brokerage, being a quotation given in response to a request to which regulation 4 below applies made to a trader or to a person acting on his behalf by a customer or by a person acting on his behalf;

"total charge for credit" shall be determined in accordance with the Total Charge for Credit Regulations and Schedule 3 to these Regulations;

"the Total Charge for Credit Regulations" means the Consumer Credit (Total Charge for Credit) Regulations 1980(a); and

"trader" means a person who carries on one or more of the following—

- (a) a consumer credit business;
- (b) a business of credit brokerage;
- (c) a consumer hire business; and
- (d) a business in the course of which he provides credit to individuals secured on land.

(3) Any reference in these Regulations to bailment is in Scotland a reference to hiring.

(4) In these Regulations, references to repayment of credit are references to repayment of credit with or without any other amount.

(5) In these Regulations, any reference to the name of any person is—

- (a) in the case of any person covered by a standard licence, a reference to any name of his specified in the licence; and
- (b) in the case of any other person, a reference to any name under which he carries on business.

(6) Where any expression is used in these Regulations and in the Act, for the purposes of these Regulations that expression shall be construed as if in the Act (except section 8) references to consumer credit agreements and to regulated agreements (being consumer credit agreements) included references to personal credit agreements secured on land.

(7) The Regulations specified in Schedule 4 to these Regulations are hereby revoked to the extent specified in the third column of that Schedule.

Form and content of quotations

2.—(1) Where a trader or a person acting on his behalf receives a request to which regulation 4 below applies for a quotation from a customer or any person acting on his behalf the trader shall give, or cause to be given, to the customer a document containing in the case of a quotation relating to credit the information set out in Schedule 1 to these Regulations, and in the case of a quotation relating to the bailment of goods the information set out in Schedule 2.

(2) A document under paragraph (1) above shall indicate the minimum period during which the information contained in it is to apply and may be framed as an offer or in any other way.

(3) Where any information set out in Schedule 1 or 2 to these Regulations cannot be exactly ascertained by the trader, whether because the request contains insufficient information or for any other reason, the trader shall either—

- (a) give such information as may be exactly ascertained by him at the date the quotation is given and, subject to paragraph (4) below, include estimated information based on such assumptions as he may reasonably make in all the circumstances of the case and an indication of the assumptions made in any document given under paragraph (1) above together with a statement indicating that if these assumptions are incorrect the customer may make a request for another quotation based on additional information supplied by him; or

(a) S.I. 1980/51, amended by S.I. 1985/1192 and 1989/596.

- (b) give notice in writing to the customer that the request does not contain all the information necessary to construct a quotation relating to the transaction mentioned in the request and shall—
 - (i) specify the information which is required; and
 - (ii) indicate that the trader will give a written quotation if the customer makes another request containing that information.
- (4) The trader shall not base estimated information under paragraph (3) above in relation to information about the APR set out in sub-paragraph (2) of paragraph 6 of Schedule 1 to these Regulations on assumptions which are inconsistent with the assumptions set out in that sub-paragraph.

(5) In the case of a quotation relating to a debtor-creditor agreement enabling the debtor to overdraw on a current account under which the creditor is the Bank of England, an institution authorised under the Banking Act 1987(a), the Post Office for the purposes of a transaction entered into in the ordinary course of that part of the business of the Post Office which consists of the provision of banking services or a building society incorporated (or deemed to be incorporated) under the Building Societies Act 1986(b), for any reference in Schedule 1 to these Regulations to the APR there may be substituted a reference to the statement of—

- (a) a rate, expressed to be a rate of interest, being a rate determined as the rate of the total charge for credit calculated on the assumption that only interest is included in the total charge for credit; and
- (b) the nature and amount of any other charge included in the total charge for credit.
- (6) The APR referred to in Schedule 1 to these Regulations shall be denoted in quotations as “APR” or “annual percentage rate” or “annual percentage rate of the total charge for credit”.
- (7) The specific information referred to in Schedules 1 and 2 to these Regulations in every quotation shall be clear and easily legible and, subject to the following provisions of these Regulations and except for the name and address, shall be shown together as a whole and not interspersed with other information.

Prominence to be afforded to the APR in quotations and wording of prescribed information

3.—(1) The APR referred to in Schedule 1 to these Regulations shall be afforded in every quotation—

- (a) greater prominence than a statement relating to any other rate of charge; and
- (b) no less prominence than a statement relating to—
 - (i) any period;
 - (ii) the amount of any advance payment or any indication that no such payment is required; or
 - (iii) the amount, number or frequency of any other payments or charges (other than the cash price of goods, services, land or other things) or of any repayments of credit.

(2) Where words are shown in capital letters in any prescribed form of statement set out in Schedule 1 or 2 to these Regulations and are reproduced in a quotation they shall be afforded no less prominence than any other information relating to credit or bailment of goods which is required or permitted to be included under these Regulations in the quotation except the APR.

Requests for quotations

4.—(1) These Regulations apply to a request which—

- (a) is for a document giving information about the terms on which the trader is prepared to do business with the customer or in the case of a credit-broker about the terms on which any person to whom he effects introductions is prepared to do business with the customer, being business comprising a transaction indicated in the request; and

(a) 1987 c.22.

(b) 1986 c.53.

(b) is—

- (i) made in writing;
- (ii) made orally, in the presence of the trader or a person acting on his behalf, on premises where a business is carried on by him; or
- (iii) made orally on the telephone in response to an advertisement which gives the number of a telephone by means of which the trader indicates that requests can be made under these Regulations.

(2) In this regulation, “transaction” means a prospective personal credit agreement secured on land or a prospective regulated agreement.

Information given voluntarily

5. Where a trader gives information in writing to an individual pursuant to a request—

(a) which does not fall within regulation 4(1)(b) above; or

(b) to which these Regulations do not apply by virtue of regulation 6(1) below;

and which is a request for written information about the terms on which the trader is prepared to do business with the individual, being business comprising a transaction indicated in the request, he shall give the information in a document which complies with regulations 2 and 3 above as if the document were a quotation.

Application of Regulations

6.—(1) Subject to paragraph (2) below, these Regulations do not apply to a request for a quotation which—

(a) relates to fixed-sum credit to be provided under a debtor-creditor-supplier agreement, where the cash price of the goods, services, land or other things to be supplied under a transaction financed by the agreement does not exceed £50;

(b) relates to a transaction in respect of which a quotation (not being a quotation given under regulation 2(3) above) was given by or on behalf of the trader to the customer within the period commencing 28 days before the request is received;

(c) is made by or on behalf of a customer residing outside the United Kingdom at the time the request is made; or

(d) is made by or on behalf of a minor.

(2) Where a request within regulation 4 above relates partly to credit specified in paragraph (1)(a) above or partly to a transaction specified in paragraph (1)(b), and partly to other credit or another transaction, these Regulations apply to the request in so far as it relates to that other credit or that other transaction.

(3) These Regulations do not apply where the trader, within a reasonable time after receiving a request for a quotation, informs the customer or a person acting on his behalf by notice or orally in his presence that the trader does not intend to do business with that customer or does not intend to do business with him except business which is arranged by another person, being business comprising a transaction indicated in the request.

5th July 1989

Francis Maude
Parliamentary Under-Secretary of State,
Department of Trade and Industry

INFORMATION TO BE CONTAINED IN QUOTATIONS RELATING TO CREDIT

Name and address

1. The name and a postal address of the person giving the quotation, and where that person gives the quotation as a credit-broker the name of any other trader to whom the quotation relates.

Security

2. A statement that any security is or may be required, and where the security comprises or may comprise a mortgage or charge on the debtor's home a statement in the following form—
"YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR OTHER LOAN SECURED ON IT."

Insurance

3. A statement of any contract of insurance required, not being a contract of insurance against the risk of loss or damage to goods or land or any risk relating to the use of the goods or land.

Deposit of money in an account

4. A statement of any requirement to place on deposit any sum of money in any account with any person.

Credit-broker's fees

5. In the case of a quotation relating to a business comprising credit brokerage, the amount of any fee payable by the debtor or an associate of his to a credit-broker or a statement of the method of its calculation.

APR

6.—(1) The APR in relation to any actual or prospective agreement, other than an agreement specified in sub-paragraph (2) below, or a statement indicating that the total amount payable by the debtor is not greater than the total cash price of the goods, services, land or other things, the acquisition of which is to be financed by credit under the agreement.

(2) The APR in relation to a debtor-creditor-supplier agreement for running-account credit under which the debtor agrees to pay the creditor an amount specified in the agreement on specified occasions, there is a credit limit and charges for credit are either a fixed amount in respect of each transaction or calculated as a proportion of the price payable under a transaction financed by the credit, the APR being calculated on each of the following assumptions respectively—

- (a) the debtor is provided with an amount of credit at the date of the making of the agreement which, taken with the amount of the charge for that credit ascertained at that date, is equal to the credit limit, and the debtor repays the sum of the said amounts by payments of the amounts specified in the agreement on the specified occasions and makes no other payment and obtains no further credit in relation to the account; and
- (b) a like assumption to that in sub-paragraph (a) above save that the said sum of the said amounts shall be taken to be one-third of the credit limit.

(3) In relation to agreements under which the rate or amount of any item included in the total charge for credit will or may be varied, a statement indicating that the rate or amount will or may be varied.

Amount of credit

7. In the case of a quotation relating to fixed-sum credit to be provided under a debtor-creditor agreement or under a credit-token agreement, a statement indicating the amount of credit which may be provided under the agreement.

Credit limit

8. In the case of a quotation relating to running-account credit, the credit limit expressed as—
- (a) a sum of money;
 - (b) a statement that the credit limit will be determined by the creditor from time to time under the agreement and that notice of it will be given by him to the debtor;

- (c) a sum of money together with a statement that the creditor may vary the credit limit to such sum as he may from time to time determine under the agreement and that notice of it will be given by him to the debtor; or
- (d) in a case not falling within head (a), (b) or (c) above, either a statement indicating the manner in which the credit limit will be determined and that notice of it will be given by the creditor to the debtor or a statement indicating that there is no credit limit.

Nature of security not affecting debtor's home

9. The nature of any security required where this does not comprise a mortgage or charge on the debtor's home.

Frequency, number and amount of advance payments

10. A statement of the frequency and number of any advance payments required and of the amount or minimum amount expressed as a sum of money or as a percentage or a statement indicating the manner in which the amount will be determined.

Different treatment of cash and credit purchasers

11. A statement indicating any respect in which cash purchasers are treated differently from those acquiring any goods, land or other things, or being provided with services, under a transaction which is financed by credit.

Frequency, number and amount of repayments of credit

12.—(1) In the case of a quotation relating to an agreement for running-account credit, a statement of the frequency of the repayments of credit under the transaction and of the amount of each repayment stating whether it is a fixed or minimum amount, or a statement indicating the manner in which the amount will be determined.

(2) In the case of other quotations, a statement of the frequency, number and amount of repayments of credit.

(3) In the case of a quotation relating to an agreement under which interest on the credit to be provided is of a type to which sections 369 to 376 of the Income and Corporation Taxes Act 1988(a) apply (which make provision for the deduction of income tax at the basic rate from certain loan interest)—

- (a) a further statement indicating whether the amount of any repayment of credit mentioned in the quotation is calculated before or after the deduction of tax; and
- (b) where such a quotation indicates the amount of repayments both before and after deduction of tax, and in one or other such cases not all the repayments would be equal for the purposes of sub-paragraph (1) above, a statement indicating the lowest and the highest amounts and the exact year or other period in respect of which each such amount is to be paid, unless such information is included in the statement required under sub-paragraph (1) above.

(4) The quotation shall not include in relation to any repayment under this paragraph the expression "weekly equivalent" or any expression to the like effect or any expression of any other periodical equivalent, unless weekly payments or the other periodical payments are provided for under the agreement.

(5) The amount of any repayment under this paragraph may be expressed as a sum of money or as a specified proportion of a specified amount (including the amount outstanding from time to time).

Other payments and charges

13.—(1) Subject to sub-paragraphs (2) and (3) below, a statement indicating the description and amount of any other payments and charges which may be payable under the transaction to which the quotation relates.

(2) Where the liability of the debtor to make any payment cannot be ascertained at the date the quotation is given, a statement indicating the description of the payment in question and the circumstances in which the liability to make it will arise.

(3) Sub-paragraphs (1) and (2) above do not apply to any charge payable under the transaction to the creditor or any other person on his behalf upon failure by the debtor or a relative of his to do or refrain from doing anything which he is required to do or refrain from doing, as the case may be.

(a) 1988 c.1.

Total amount payable by the debtor

14.—(1) Subject to sub-paragraphs (2) and (3) below, in the case of a quotation relating to credit to be provided under a consumer credit agreement which is repayable at specified intervals or in specified amounts and other than cases under which the sum of the payments within sub-paragraphs (a) to (c) below is not greater than the cash price referred to in paragraph 15 below, the total amount payable by the debtor, being the total of—

- (a) advance payments;
- (b) the amount of credit repayable by the debtor; and
- (c) the amount of the total charge for credit.

(2) In the case of an agreement for running-account credit the total amount payable by the debtor under this paragraph shall be calculated on each of the following assumptions—

- (a) the debtor is provided with an amount of credit equal to the cash price of the goods or services less any advance payment required;
- (b) there are no changes in the rates of interest on the credit which may be provided under the agreement;
- (c) the debtor pays the amount stated in the quotation or if none is stated the fixed or minimum sums payable under the agreement;
- (d) all repayments of credit and of the total charge for credit are made on the due date under the agreement; and
- (e) the debtor acquires no further goods or is provided with no further services under the agreement.

(3) Sub-paragraph (1) above does not apply in the case of a quotation relating to running-account credit to be provided under a consumer credit agreement where the quotation does not specify goods, services, land or other things having a particular cash price, the acquisition of which is to be financed by the credit.

Cash price

15. In the case of a quotation relating to credit to be provided under a debtor-creditor-supplier agreement, where the quotation specifies goods, services, land or other things having a particular cash price, the acquisition of which is to be financed by the credit, the cash price of such goods, services, land or other things.

Voluntary payments

16. In the case of a quotation which includes particulars of any goods, services, land or other things which may be acquired by the debtor but which he is not obliged to acquire under the agreement to which the quotation relates or under any linked transaction, a statement indicating that the debtor is not under any obligation to acquire the goods, services, land or other things, as the case may be.

Credit repayable by proceeds of life insurance contracts

17.—(1) Where repayment of credit is to be made wholly or partly by money payable under a contract of life insurance which is a linked transaction in relation to the agreement under which the credit is provided, a statement of—

- (a) the period for which insurance is to run;
- (b) the amount ("the minimum sum assured") of the money payable under the policy on the date of its expiry otherwise than on death excluding the amount of any bonus which may be declared in favour of the policy holder;
- (c) the minimum amount payable on death, if different from the minimum sum assured; and
- (d) the frequency, and the number of premiums or period for which they are payable under the contract of insurance, and the amount of each premium or a statement indicating the manner in which the amount will be determined.

(2) In a case to which sub-paragraph (1) above applies, where the minimum sum assured is less than the amount of credit provided, a statement indicating that where the total proceeds of the policy including any accumulated bonuses are less than the amount of credit, the debtor is required to pay to the creditor from his own resources the amount by which these proceeds fall short of the amount of credit.

Warning

18. A statement in the following form—

"BE SURE YOU CAN AFFORD THE REPAYMENTS BEFORE ENTERING INTO A CREDIT AGREEMENT."

Foreign currency mortgages

19. Where the quotation is for a mortgage or other loan secured on property and repayments are to be made in a currency other than sterling, a statement in the following form—

“THE STERLING EQUIVALENT OF YOUR LIABILITY UNDER A FOREIGN CURRENCY MORTGAGE MAY BE INCREASED BY EXCHANGE RATE MOVEMENTS.”.

SCHEDULE 2

Regulation 2(1)

INFORMATION TO BE CONTAINED IN QUOTATIONS RELATING TO THE BAILMENT OF GOODS

Name and address

1. The name and a postal address of the person giving the quotation, and where that person gives the quotation as a credit-broker the name of any other trader to whom the quotation relates.

Nature of transaction

2. A statement indicating that the transaction to which the quotation relates is the bailment of goods.

Security

3. A statement that any security is or may be required, and where the security comprises or may comprise a mortgage or charge on the hirer's home a statement in the following form:

“YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP PAYMENTS ON A HIRE AGREEMENT SECURED BY A MORTGAGE OR OTHER SECURITY ON YOUR HOME.”.

Insurance

4. A statement of any contract of insurance required, not being a contract of insurance against the risk of loss or damage to the goods or any risk relating to the use of the goods.

Deposit of money in an account

5. A statement of any requirement to place on deposit any sum of money in any account with any person.

Credit-broker's fee

6. In the case of a quotation relating to a business comprising credit brokerage, the amount of any fee payable by the hirer or an associate of his to a credit-broker or a statement of the method of its calculation.

Nature of security not affecting hirer's home

7. The nature of any security required where this does not comprise a mortgage or charge on the hirer's home.

Frequency, number and amount of advance payments

8. A statement of the frequency and number of any advance payments required and of the amount or minimum amount expressed as a sum of money or as a percentage or a statement indicating the manner in which the amount will be determined.

Duration of hire

9. In a case where goods are to be bailed under an agreement for a fixed period or a minimum period, a statement indicating that this is the case and the duration of that period.

Frequency and amount of hire payments

10. The frequency and amount of each hire payment stating if it be the case that it is a minimum amount and, in the case where the amount of any hire payment will or may be varied, a statement indicating that the amount will or may be varied and the circumstances in which it would happen:

Provided that the quotation shall not include in relation to any hire payment the expression "weekly equivalent" or any expression to the like effect or any expression of any other periodical equivalent unless weekly payments or the other periodical payments are provided for under the hire agreement.

Other payments and charges

11.—(1) Subject to sub-paragraphs (2) and (3) below, a statement indicating the description and amount of any payments and charges other than advance payments and hire payments which may be payable under the transaction to which the quotation relates.

(2) Where the liability of the hirer to make any payment cannot be ascertained at the date the quotation is given, a statement indicating the description of the payment in question and the circumstances in which the liability to make it will arise.

(3) Sub-paragraphs (1) and (2) above do not apply to any charge payable under the transaction to the owner or any other person on his behalf upon failure by the hirer or a relative of his to do or to refrain from doing anything which he is required to do or to refrain from doing, as the case may be.

Variable payments and charges

12.—(1) Where any payment or charge referred to in paragraph 10 or 11 above may be varied under the hire agreement and the amount of any such payment or charge following any variation cannot be ascertained at the time the quotation is given, a statement indicating the circumstances in which the payment or charge may be varied, and where that information is ascertained at the date the quotation is given, the time at which any such variation may occur.

(2) This paragraph does not apply to a variation under the agreement which takes account only of a change in value added tax (including a change to or from no tax being charged).

Warning

13. A statement in the following form:

"BE SURE YOU CAN AFFORD THE PAYMENTS BEFORE ENTERING INTO A HIRE AGREEMENT."

SCHEDULE 3

Regulation 1(2)

PROVISIONS RELATING TO DISCLOSURE OF THE TOTAL CHARGE FOR CREDIT AND THE APR

Permissible tolerances in disclosure of the APR

1. For the purposes of these Regulations, it shall be sufficient compliance with the requirement to show the APR if there is included in the quotation—

- (a) a rate which exceeds the APR by not more than one; or
- (b) a rate which falls short of the APR by not more than 0.1; or
- (c) in a case to which any of paragraphs 2 to 5 below applies, a rate determined in accordance with the paragraph or such of them as apply to that case.

Tolerance where repayments are nearly equal

2. In the case of an agreement under which all repayments but one are equal and that one repayment does not differ from any other repayment by more whole pence than there are repayments of credit, there may be included in a quotation relating to the agreement a rate found under any of regulations 7, 9 and 10 of the Total Charge for Credit Regulations as if that one repayment were equal to the other repayments to be made under the agreement.

Tolerance where interval between relevant date and first repayment is greater than interval between repayments

3. In the case of an agreement under which—

- (a) three or more repayments are to be made at equal intervals; and
- (b) the interval between the relevant date and the first repayment is greater than the interval between the repayments,

there may be included in a quotation relating to the agreement a rate found under any of

regulations 7, 9 and 10 of the Total Charge for Credit Regulations as if the interval between the relevant date and the first repayment were shortened so as to be equal to the interval between repayments; and in this paragraph "relevant date" means, in a case where a date is specified in or determinable under the agreement at the date of its making as that on which the debtor is entitled to require provision of anything the subject of the agreement, the earliest such date and, in any other case, the date of the making of the agreement.

Tolerance where Consumer credit tables do not exactly apply

4.—(1) In a case where, in relation to any agreement the charge per pound lent, the flat rate or the period rate of charge, as the case may be, is not exactly represented by an entry in a table contained in the Consumer credit tables, there may be included in a quotation relating to the agreement a rate found by applying the next greater entry appearing in those tables for the purposes of calculating that rate.

(2) In sub-paragraph (1) above "charge per pound lent", "flat rate" and "period rate of charge" have the meanings assigned to them by the relevant Introduction or Instructions contained in the Consumer credit tables.

Tolerance where period rate of charge is charged

5. In the case of an agreement to which regulation 7(1) of the Total Charge for Credit Regulations (agreements under which a period rate of charge is charged) applies, there may be included in a quotation relating to the agreement a rate, being the APR determined as if no account were taken of any amount by which the total amount of the charges included in the total charge for credit in relation to each period is varied so as to bring that amount to the nearest whole penny, one half-penny being for this purpose expressed to the next higher whole penny.

SCHEDULE 4

Regulation 1(7)

REVOCATIONS

(1) <i>Regulations revoked</i>	(2) <i>References</i>	(3) <i>Extent of Revocation</i>
The Consumer Credit (Quotations) Regulations 1980.	S.I. 1980/55	The whole Regulations.
The Consumer Credit (Quotations) (Amendment) Regulations 1980.	S.I. 1980/1361	The whole Regulations.
The Consumer Credit (Advertisements and Quotations) (Amendment) Regulations 1983.	S.I. 1983/110	The whole Regulations, except Regulation 2.
The Consumer Credit (Advertisements and Quotations) (Amendment No. 2) Regulations 1983.	S.I. 1983/1721	The whole Regulations, except Regulation 2.
The Consumer Credit (Advertisements and Quotations) (Amendment) Regulations 1984.	S.I. 1984/1055	The whole Regulations, except Regulation 2.
The Consumer Credit (Advertisements and Quotations) (Amendment) Regulations 1985.	S.I. 1985/619	The whole Regulations, except Regulation 2.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations consolidate with amendments the Consumer Credit (Quotations) Regulations 1980 as amended. The Regulations prescribe the form and content of documents ("quotations") in which persons carrying on consumer credit businesses, consumer hire businesses and businesses in the course of which credit secured on land is provided to individuals give prospective customers information about the terms on which they are prepared to do business. They also apply to quotations and information given by credit-brokers about the business of any person to whom the credit-broker effects introductions, as well as to the giving of quotations and information about his own business.

The Regulations also prescribe the circumstances in which such quotations are to be provided. A quotation must be provided in response to a request for written information made in writing, orally on the trader's premises or, in certain circumstances, by telephone.

A number of detailed provisions in the 1980 Regulations have been omitted and the Regulations have been simplified.

The "Consumer credit tables" (Parts 1 to 15) referred to in regulation 1(2) and Schedule 3 may be obtained from Her Majesty's Stationery Office or through booksellers.

STATUTORY INSTRUMENTS

1992 No.

CONSUMER CREDIT

The Consumer Credit (Quotations) Amendment
Regulations 1992

Made
Laid before Parliament
Coming into force

The Secretary of State, in exercise of the powers conferred on him by sections 52, 152, 182(2) and 189(1) of the Consumer Credit Act 1974(a) and of all other powers enabling him in that behalf, hereby makes the following Regulations:

PART I

GENERAL

Citation, commencement and interpretation

1. - (1) These Regulations may be cited as the Consumer Credit (Quotations) (Amendment) Regulations 1992 and shall come into force on 1992.

(a) 1974 c.39; section 189(1) defines "prescribed".

CC(Qte)A.SI5

(2) In these Regulations "the 1989 Regulations" mean the Consumer Credit (Quotations) Regulations 1989(a)

Amendments to the 1989 Regulations

2. - (1) Except in regulation 1(1) and 1(2) in the definitions of "APR" and "total charge for credit" and in 1(7), all references in relation 1 to "In these Regulations" or to "in these Regulations" or to "of these Regulations" there shall be inserted before the words "these Regulations" the words "Part A of".

(2) After regulation 1 there shall be inserted the following heading:

"PART A
TRADERS"

(4) After regulation 6 there shall be inserted the heading -

"PART B
LENDERS' SERVICES"

and the following regulations:

"Interpretation

7. In Parts B and C of these Regulations -

(a) S.I. 1989/1126.

CC(Qte)A.SI5

"the Act" means the Consumer Credit Act 1974;

"borrower" means a person to whom a CLSA loan or a non CLSA loan is to be provided or for whom the provision of such a loan is to be arranged";

"broker" means a person who carries on a business either of credit brokerage, debt-adjusting or debt-counselling and who, in the course of that business, effects the introduction of a borrower to a lender;

"CLSA loan" means a loan which is a residential property loan within the meaning of section 104(1) of the Courts and Legal Services Act 1990(a), that is to say a loan which is to be -

- (a) secured on land in the United Kingdom; and
- (b) made to an individual in respect of the acquisition of land which is for his residential use or the residential use of a dependant of his;

and a "non CLSA loan" means any other loan which is to be made to a borrower and which is to be secured on land in the United Kingdom;".

(a) 1990 c.41.

"connected person", in relation to a lender or broker, means -

- (i) when the lender or broker is a member of a group of companies (that is to say a holding company and its subsidiaries within the meaning of Section 736 of the Companies Act 1985(a)), any other member of that group, and
- (ii) when the lender or broker would derive any financial benefit from the provision by another person of the service to be provided, that other person;"

"lender" means a person who carries on a business in the course of which he provides CLSA loans or non CLSA loans, or both;

"quotation" means a quotation within the meaning of section 52(1) of the Act or section 152 in so far as section 52 is applied by that section to a business of credit brokerage(b) in the course of which credit is provided to individuals secured on land, being a

(a) 1985 c.6.

(b) This type of credit brokerage is defined in section 145(2) of the Act.

quotation given in response to an enquiry made to a lender or a broker by a borrower or by a person acting on his behalf."

"service" means any service (of a financial or other nature) for consideration in money or moneys worth and whether to be provided to the borrower or to the lender or to the broker, and a service -

- (a) is "required" if the lender or broker insists that it be taken;
- (b) is "tied" if the availability of the loan or the arrangement of it is influenced by whether that service is to be provided by or through the lender or broker or a connected person, whether or not it be a service which is provided with the loan;
- (c) is a "trigger service" if the lender may vary the terms and conditions of the loan according to whether or from whom the borrower takes or arranges that service, whether or not it be a service which is provided with the loan.

Form and content of quotations

8. - (1) When a borrower makes an enquiry directly to a lender as to the availability of a CLSA loan or a non CLSA loan, the lender shall, as soon as is practicable for him to do so, give to that borrower a document which shall -

(a) in the case of a CLSA loan, contain a statement of the relevant information set out in Schedule 5 to these Regulations, and

(b) in the case of a non CLSA loan, contain a statement of the relevant information set out in Schedule 6.

(2) When a borrower is introduced to a lender by a broker, the lender shall give to that borrower the document that is required in accordance with paragraph (1)(a) or (b) above as soon as is practicable for him to do so after receipt of an application form (whether fully or only partially completed by the borrower).

(3) An enquiry may be one made by the borrower in writing or orally (in the presence of the lender on premises where a business is carried on by the lender) or on the telephone.

(4) The document containing the information to be given to the borrower under paragraphs (1) and (2) above must be a document which the borrower can keep.

(5) In Schedules 5 and 6 the prescribed wording shall be reproduced without alteration or addition and in exactly the same form as to capital lettering and all the information shall be clear and easily legible and appear separately from any other information in the document."

PART C

BROKERS

Form and content of quotations

9. - (1) When a borrower makes an enquiry to a broker as to the availability of a CLSA loan or a non CLSA loan, but he does not then immediately introduce that borrower to a lender, the broker shall give to that borrower as soon as is practicable for him to do so a document with regard to services which shall -

(a) in the case of a CLSA loan, contain a statement of the relevant information set

out in Schedule 7 to these Regulations,
and

- (b) in the case of a non CLSA loan, contain a statement of the relevant information set out in Schedule 8.

(2) When, following upon an enquiry by a borrower as to the availability of a CLSA or a non CLSA loan, a broker does introduce that borrower to a lender he shall at the same time as he does make that introduction give to the borrower a further document with regard to services which shall -

- (a) in the case of a CLSA loan, contain a statement of the relevant information set out in Schedule 9, and

- (b) in the case of a non CLSA loan, contain a statement of the relevant information set out in Schedule 10.

(3) Any enquiry may be one made by the borrower in writing or orally (in the presence of the broker on premises where a business is carried on by the broker) or on the telephone.

(4) The document containing the information to be given to the borrower under paragraphs (1) and 2) above must be a document which the borrower can keep.

(5) In Schedules 7 to 10 the prescribed wording shall be reproduced without alteration or addition and in exactly the same form as to capital lettering, and all the information shall be clear and easily legible and appear separately from any other information in the document."

Parliamentary Under-Secretary of State,
Department of Trade and Industry

1992

SCHEDULE 5

Regulation 8(1)a)

INFORMATION TO BE CONTAINED IN QUOTATIONS GIVEN
BY A LENDER RELATING TO A CLSA LOAN

Name and address

1. The name and a postal address of the lender.

Security

2. A statement that a security is required which comprises a mortgage or charge on the home or the borrower or dependant and a statement in the following form -

"YOUR HOME IS AT RISK IF REPAYMENTS ON A LOAN SECURED ON
IT ARE NOT KEPT UP".

Terms of business

3. - (1) A statement explaining how the availability and the terms and condition of the loan might be influenced by the borrower's decisions on whether or from whom to buy a service.
 - (2) In particular, if any service is -
 - (a) "required", the explanation must make clear how the availability of the loan might be influenced by the borrower's decision to buy the service;
 - (b) "tied" service, the explanation must make clear how the availability of the loan might be influenced by the borrower's decision from whom to buy that service;

- (c) a "trigger service", the explanation must make clear how the terms and conditions of the loan might be varied by the borrower's decision from whom to buy that service.

Relationship between loan and other services

4. - (1) In cases where no service which is "tied" or which is a "trigger service", or which is both, is involved, a statement in the following form:

"NEITHER THE AVAILABILITY OF NOR THE TERMS AND CONDITIONS OF THE LOAN WILL BE INFLUENCED OR VARIED ACCORDING TO WHETHER YOU BUY OR DO NOT BUY ANY OTHER SERVICE FROM US".

(2) In cases where there is involved at least one service which is "tied", a statement in the following form:

"ANYONE WHO AGREES TO PROVIDE YOU WITH A LOAN TO BUY A HOME MUST BE AS READY TO PROVIDE THE LOAN WHETHER OR NOT HE ALSO PROVIDES YOU WITH OTHER SERVICES WITH THAT LOAN. IF WE DO PROVIDE YOU WITH A LOAN, WE MAY ASK YOU TO BUY SOME SERVICE FROM US. FURTHERMORE, THE TERMS AND CONDITIONS OF THE LOAN MAY BE DIFFERENT IF YOU DO NOT BUY OTHER SERVICES WITH THE LOAN. ASK FOR FURTHER INFORMATION".

(3) In all other cases, a statement in the following form:

"ANYONE WHO AGREES TO PROVIDE YOU WITH A LOAN TO BUY A HOME MUST BE AS READY TO PROVIDE THE LOAN WHETHER

OR NOT HE ALSO PROVIDES YOU WITH OTHER SERVICES WITH THAT LOAN. BUT THE TERMS AND CONDITIONS OF THE LOAN MAY BE DIFFERENT IF YOU DO NOT BUY OTHER SERVICES WITH THE LOAN. ASK FOR FURTHER INFORMATION".

Charges where no loan provided

5. In cases where borrowers may be charged for services when they are not provided with a loan, a statement in the following form -

"IF WE DO NOT PROVIDE YOU WITH THE LOAN, WE MAY STILL CHARGE YOU FOR ANY SERVICE WE HAVE PROVIDED".

Availability of further quotations

6. A statement that the borrower will be able to obtain from the lender a written quotation about the terms on which the lender is prepared to do business if the borrower are and if he informs the lender as to his relevant details and circumstances.

SCHEDULE 6

Regulation 8(1)(b)

INFORMATION TO BE CONTAINED IN QUOTATIONS GIVEN BY A LENDER RELATING TO A NON CLSA LOAN

Name and address

1. The name and a postal address of the lender.

Security

2. A statement that a security is required which comprises a mortgage or charge on the home of the borrower or dependant and a statement in the following form -

"YOUR HOME IS AT RISK IF REPAYMENTS ON A LOAN
SECURED ON IT ARE NOT KEPT UP".

Terms of business

3. - (1) A statement explaining how the availability and the terms and condition of the loan might be influenced by the borrower's decisions on whether or from whom to buy a service.
(2) In particular, if any service is -
 - (a) "required", the explanation must make clear how the availability of the loan might be influenced by the borrower's decision to buy the service;
 - (b) "tied", the explanation must make clear how the availability of the loan might be influenced by the borrower's decision from whom to buy that service;

- (c) a "trigger service", the explanation must make clear how the terms and conditions of the loan might be varied by the borrower's decision from whom to buy that service.

Relationship between loan and other services

4. - (1) In cases where no service which is "tied" or which is a "trigger service", or both, is involved, a statement in the following form -

"NEITHER THE AVAILABILITY OF NOR THE TERMS AND CONDITIONS OF THE LOAN WILL BE VARIED BY WHETHER YOU BUY OR DO NOT BUY ANY OTHER SERVICE FROM US".

(2) In cases where at least one service which is "tied" is involved, a statement in the following form -

"WHETHER WE WILL PROVIDE THE LOAN MAY DEPEND ON WHETHER YOU BUY SOME OTHER SERVICE FROM US. ASK FOR FURTHER INFORMATION.

(3) In all other cases, a statement in the following form -

"IF WE DO NOT PROVIDE OTHER SERVICES TOGETHER WITH THE LOAN, OUR TERMS AND CONDITIONS MAY BE DIFFERENT. ASK FOR FURTHER INFORMATION".

Charges where no loan provided

5. In cases where borrowers may be charged for services when they have not been provided with a loan, a statement in the following form -

"IF WE DO NOT PROVIDE YOU WITH A LOAN, WE MAY STILL
CHARGE YOU FOR ANY SERVICE WE HAVE PROVIDED".

Availability of further quotations

6. A statement that the borrower will be able to obtain from the lender a written quotation about the terms on which the lender is prepared to do business if the borrower are and if he informs the lender as to his relevant details and circumstances.

SCHEDULE 7

Regulation 9(1)(a)

INFORMATION TO BE CONTAINED IN QUOTATIONS GIVEN BY BROKERS RELATING TO THE ARRANGEMENT OF A CLSA LOAN

Name and address

1. The name and a postal address of the broker and the lender

Security

2. A statement that a security is required which comprises a mortgage or charge on the home of the borrower or dependant and a statement in the following form -

"YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP THE
REPAYMENTS ON A LOAN SECURED ON IT".

Terms of business

3. A statement explaining how the terms upon which the broker is prepared to arrange the loan might be influenced by the borrower's decision on whether or from whom to buy a service. In particular, if any service is -

- (a) "required", the explanation must make clear how the arrangement of the loan might be influenced by the borrower's decision from whom to buy that service;
- (b) "tied", the explanation must make clear how the arrangement of the loan might be influenced by the borrowers decision from whom to buy that service.

Relationship between the loan and other services

4. - (1) In cases where there are no services that are tied to the services provided by the broker, a statement in the following form -

"I/WE WILL ARRANGE A LOAN FOR YOU WHETHER OR NOT YOU BUY ANY OTHER SERVICES THROUGH ME/US".

(2) In cases where there is a service that is tied to the service provided by the broker, a statement in the following form -

ANY LENDER WHO AGREES TO PROVIDE YOU WITH A LOAN TO BUY A HOME MUST BE AS READY TO PROVIDE THE LOAN WHETHER OR NOT HE ALSO PROVIDES YOU WITH OTHER SERVICES WITH THAT LOAN
"I/WE WILL ARRANGE A LOAN FOR YOU ONLY IF YOU BUY SOME SERVICE THROUGH ME/US. ASK FOR FURTHER INFORMATION".

Right to recover brokerage fees(a)

5. In cases where the broker's introduction does not result in the borrower entering into a loan, a statement in the following form -

"IF MY/OUR INTRODUCTION OF A LENDER TO YOU DOES NOT RESULT IN YOUR ENTERING INTO A LOAN, I/WE MAY NOT CHARGE A BROKERAGE FEE GREATER THAN £1. BUT I/WE MAY CHARGE YOU FOR ANY OTHER SERVICE I/WE HAVE PROVIDED.

Availability of further quotations

6. A statement that the borrower will be able to obtain from the lender a written quotation about the terms on which the lender is prepared to do business if the borrower so requests and informs the lender as to the relevant details and circumstances.

(a) See section 155 of the Consumer Credit Act, 1974.

INFORMATION TO BE CONTAINED IN QUOTATIONS GIVEN BY BROKERS
RELATING TO THE ARRANGEMENT OF A NON CLSA LOAN

Name and address

1. The name and a postal address of the broker.

Security

2. A statement that a security is required which comprises a mortgage or charge on the home of the borrower or dependant and a statement in the following form -

"YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP THE
REPAYMENTS ON A LOAN SECURED ON IT".

Terms of business

3. A statement explaining how the terms upon which the broker is prepared to arrange the loan might be influenced by the borrower's decision on whether or from whom to buy a service, in particular, if any service is -

- (a) "required", the explanation must make clear how the arrangement of the loan might be influenced by the borrower's decision from whom to buy that service.
- (b) "tied", the explanation must make clear how the arrangement of the loan might be influenced by the borrowers decision from whom to buy that service.

Relationship between the loan and other services

4. - (1) In cases where there are no services that are tied to the services provided by the broker, a statement in the following form -

"I/WE WILL ARRANGE A LOAN FOR YOU WHETHER OR NOT YOU BUY
ANY OTHER SERVICES THROUGH ME/US".

(2) In cases where there is a service that is tied to the service provided by the broker, a statement in the following form -

"I/WE WILL ARRANGE A LOAN FOR YOU ONLY IF YOU BUY SOME SERVICE THROUGH ME/US. ASK FOR FURTHER INFORMATION".

Right to recover brokerage fees

5. In cases where the broker's introduction does not result in the borrower entering into a loan, a statement in the following form -

"IF MY/OUR INTRODUCTION OF A LENDER TO YOU DOES NOT RESULT IN YOUR ENTERING INTO A LOAN, I/WE MAY NOT CHARGE A BROKERAGE FEE GREATER THAN £1. BUT I/WE MAY CHARGE YOU FOR ANY OTHER SERVICE I/WE HAVE PROVIDED.

Availability of further quotations

7. A statement that the borrower will be able to obtain from the lender a written quotation about the terms on which the lender is prepared to do business if the borrower so requests and informs the lender as to the relevant details and circumstances.

SCHEDULE 9

Regulation 9(2)(a)

INFORMATION TO BE CONTAINED IN QUOTATIONS GIVEN BY BROKERS WHEN INTRODUCING A BORROWER TO A LENDER IN RESPECT OF A CLSA LOAN

Name and address

1. The name and a postal address of the broker and the lender

Security

2. A statement that a security is required which comprises a mortgage or charge on the home of the borrower or dependant and a statement in the following form -

"YOUR HOME IS AT RISK IF REPAYMENTS ON A LOAN SECURED ON IT ARE NOT KEPT UP".

Terms of business

3. A statement explaining how the terms upon which the broker is prepared to arrange the loan might be influenced by the borrower's decision on whether or from whom to buy a service. In particular, if any service is -

- (a) "required", the explanation must make clear how the arrangement of the loan might be influenced by the borrower's decision from whom to buy that service;
- (b) "tied", the explanation must make clear how the arrangement of the loan might be influenced by the borrowers decision from whom to buy that service.

Terms of lender's business to whom broker introduces the borrower

4. In cases where the broker knows the lender's terms of business with regard to services, a statement explaining how the availability of the loan might be influenced and/or its terms and conditions varied by the borrower's decision on

SCHDLE9.SI5

whether or from whom to buy a service. In particular, if any service is -

- (a) "required", the explanation must make clear how the availability of the loan might be influenced by the borrower's decision to buy the service;
- (b) "tied", the explanation must make clear how the availability of the loan might be influenced by the borrower's decision to buy the service;
- (c) a "trigger service", the explanation must make clear how the terms and conditions of the loan might be varied by the borrower's decision from whom to buy that service.

Relationship between the loan and other service

5. - (1) In cases where, there are no services that are tied to the services provided by the broker, a statement in the following form -

"I/WE WILL ARRANGE A LOAN FOR YOU WHETHER OR NOT YOU BUY ANY OTHER SERVICES THROUGH ME/US".

(2) In cases where there is a service that is tied to the service provided by the broker, a statement in the following form -

"ANY LENDER WHO AGREES TO PROVIDE YOU WITH A LOAN TO BUY A HOME MUST BE AS READY TO PROVIDE THE LOAN WHETHER OR NOT HE ALSO PROVIDES YOU WITH OTHER SERVICES WITH THAT LOAN. IF I/WE ARRANGE A LOAN FOR YOU, I/WE MAY ASK YOU TO BUY US SOME SERVICE THROUGH ME/US. ASK FOR FURTHER INFORMATION.

Right to recover brokerage fees

6. In cases where the broker's introduction does not result in the borrower entering into a loan, a statement in the following form -

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"IF MY/OUR INTRODUCTION OF A LENDER TO YOU DOES NOT
RESULT IN YOUR ENTERING INTO A LOAN, I/WE MAY NOT CHARGE
A BROKERAGE FEE GREATER THAN £1. BUT I/WE MAY CHARGE YOU
FOR ANY OTHER SERVICE I/WE HAVE PROVIDED.

Availability of further quotations

7. A statement that the borrower will be able to obtain from the lender a written quotation about the terms on which the lender is prepared to do business if the borrower requests one and if he informs the lender as to his relevant details and circumstances.

SCHEDULE 10

Regulation 9(2)(b)

INFORMATION TO BE CONTAINED IN QUOTATIONS GIVEN BY BROKERS WHEN INTRODUCING A BORROWER TO A LENDER IN RESPECT OF A NON CLSA LOAN

Name and address

1. The name and a postal address of the broker.

Security

2. A statement that a security is required which comprises a mortgage or charge on the home of the borrower or dependant and a statement in the following form -

"YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP THE
REPAYMENTS ON A MORTGAGE".

Terms of business

3. A statement explaining how the terms upon which the broker is prepared to arrange the loan might be influenced by the borrower's decision on whether or from whom to buy a service. In particular, if any service is -

- (a) "required", the explanation must make clear how the arrangement of the loan might be influenced by the borrower's decision from whom to buy that service;
- (b) "tied", the explanation must make clear how the arrangement of the loan might be influenced by the borrower's decision from whom to buy that service.

Terms of lender's business to whom broker introduces the borrower

4. In cases where the broker knows the lender's terms of business with regard to services, a statement explaining how the availability of the loan might be influenced and/or its terms and conditions varied by the borrower's decision on whether or from whom to buy a service. In particular, if any service is -

- (a) "required", the explanation must make clear how the availability of the loan might be influenced by the borrower's decision to buy the service;
- (b) "tied", the explanation must make clear how the availability of the loan might be influenced by the borrower's decision to buy the service;
- (c) a "trigger service", the explanation must make clear how the terms and conditions of the loan might be varied by the borrower's decision from whom to buy that service.

Relationship between the loan and other services

5. - (1) In cases where there are no services that are tied to the services provided by the broker, a statement in the following form -

"I/WE WILL ARRANGE A LOAN FOR YOU WHETHER OR NOT YOU BUY ANY OTHER SERVICES THROUGH ME/US".

(2) In cases where there is a service that is tied to the service provided by the broker, a statement in the following form -

"ANY LENDER WHO AGREES TO PROVIDE YOU WITH A LOAN TO BUY A HOME MUST BE AS WILLING TO PROVIDE THE LOAN WHETHER OR NOT HE ALSO PROVIDES OTHER SERVICES WITH THE LOAN. IF I/WE ARRANGE A LOAN FOR YOUR, I/WE MAY INSIST THAT YOU BUY SOME SERVICE THROUGH ME/US. ASK FOR FURTHER DETAILS".

Right to recover brokerage fees

6. In cases where the broker's introduction does not result in the borrower entering into a loan, a statement in the following form -

"IF MY/OUR INTRODUCTION OF A LENDER TO YOU DOES NOT
RESULT IN YOUR ENTERING INTO A LOAN, I/WE MAY NOT
CHARGE A BROKERAGE FEE GREATER THAN £1. BUT I/WE
MAY CHARGE YOU FOR ANY OTHER SERVICE I/WE HAVE
PROVIDED.

Availability of further quotations

7. A statement that the borrower will be able to obtain from the lender a written quotation about the terms on which the lender is prepared to do business if the borrower so requests and informs the lender as to the relevant details and circumstances.

Courts and Legal Services Act 1990**Sections 104 - 107****PART VI****MISCELLANEOUS AND SUPPLEMENTAL***Tying-in*

104.—(1) In this section and sections 105 and 106 “residential property loan” means any loan which—

- (a) is secured on land in the United Kingdom; and

**Tying-in
arrangements in
connection with
residential
property loans.**

PART VI

- (b) is made to an individual in respect of the acquisition of land which is for his residential use or the residential use of a dependant of his.

(2) No person ("the lender") shall provide a residential property loan together with one or more controlled services to another person ("the borrower") unless the conditions mentioned in subsection (3) are complied with before a relevant step is taken with respect to any of those services or the loan.

(3) The conditions are that the lender—

- (a) informs the borrower by notice that the residential property loan, and each of the controlled services in question, are separate services;
- (b) informs the borrower by notice whether the terms and conditions of the residential property loan will be capable of being varied by the lender after it is made;
- (c) provides the borrower with a statement of—
 - (i) the price which will be payable by the borrower for each of the controlled services if they are all provided in accordance with the terms proposed by the lender; and
 - (ii) the extent to which (if at all) the terms and conditions of the residential property loan would differ if it were to be provided by the lender without the controlled services in question being provided by the lender; and
- (d) informs the borrower by notice that, if the borrower declines to take from the lender any of the controlled services in question, the lender will not on that account refuse to provide the residential property loan.

(4) A person who—

- (a) in the course of his business provides, or makes arrangements for the provision of, controlled services together with residential property loans; and
- (b) advertises or in any other manner promotes—
 - (i) the provision of any controlled service or any residential property loan; or
 - (ii) the making by him of any such arrangements,

shall comply with such requirements as to the information to be given, or which may not be given, in any such advertisement or promotion as the Secretary of State may by regulations impose.

Tying-in
arrangements:
supplemental
provisions.

105.—(1) In section 104, this section and section 106 "controlled services" means any services of a description prescribed by order made by the Secretary of State.

(2) The order may, in particular, prescribe any description of—

- (a) banking, insurance, investment, trusteeship, executorship or other financial services;
- (b) services relating to the acquisition, valuation, surveying or disposal of property;
- (c) conveyancing services; or
- (d) removal services.

(3) For the purposes of section 104(1), the Secretary of State may by order specify—

PART VI

- (a) the circumstances in which land is to be treated as being for a person's residential use; and
- (b) who are to be treated as a person's dependants.

(4) Section 104(2) shall not apply in relation to the provision of a controlled service if the lender proves—

- (a) that the provision of that service was not connected with the transaction in respect of which the borrower required the residential property loan in question; or
- (b) where it was so connected, that the lender did not know, and had no reasonable cause to know, that it was.

(5) For the purposes of section 104, this section and section 106—

- (a) where the lender is a member of a group of companies, the lender and all the other members of the group shall be treated as one; and
- (b) where the lender derives any financial benefit from the provision of a controlled service by any other person, the lender shall be treated as providing that service.

(6) In subsection (5), "a group of companies" means a holding company and its subsidiaries within the meaning of section 736 of the Companies Act 1985.

1985 c. 6.

(7) The Secretary of State may by order provide that, in such cases or for such purposes as may be prescribed by the order, paragraph (a) or (b) of subsection (5) shall not have effect.

(8) For the purposes of section 104—

"notice" means a notice in writing given in the form prescribed by regulations made by the Secretary of State;

"price" shall have the meaning given by order made by the Secretary of State;

"relevant step", in relation to any controlled service or residential property loan, means such step as may be prescribed by order made by the Secretary of State in relation to that service or loan (taken by such person as may be so prescribed); and

"statement" means a statement in writing given in the form prescribed by regulations made by the Secretary of State.

(9) In relation to land in Scotland—

(a) "conveyancing services" has the same meaning as in the Law Reform (Miscellaneous Provisions) (Scotland) Act 1990; and

1990 c. 40.

(b) the reference in section 104(1) to a loan being secured on land shall be read as a reference to its being secured over land by a standard security.

(10) Before making any order or regulations under section 104 or this section the Secretary of State shall consult the Director and such other persons as he considers appropriate.

106.—(1) If any person contravenes section 104(2) or (4) he shall be guilty of an offence.

Tying-in:
offences.

PART VI

(2) Subsection (3) applies where—

- (a) a person ("the lender") has, in relation to the proposed provision to any person ("the borrower") of a residential property loan together with one or more controlled services, complied with the conditions mentioned in section 104(3); and
- (b) the borrower has declined to take from the lender one or more of the controlled services.

(3) The lender shall be guilty of an offence if he refuses to provide the borrower with the residential property loan or refuses to provide it to him—

- (a) on the terms applicable if it were provided together with the controlled services; or
- (b) where they differ, on terms which are compatible with the statement required by section 104(3)(c)(ii),

unless he proves that his reason for so refusing was unconnected with the borrower's having declined as mentioned in subsection (2)(b).

(4) Any person guilty of an offence under this section shall be liable—

- (a) on summary conviction, to a fine not exceeding the statutory maximum; and
- (b) on conviction on indictment, to a fine.

(5) Subsection (6) applies where an offence under this section is committed by a body corporate.

(6) If the offence is proved to have been committed with the consent or connivance of or to be attributable to any neglect on the part of—

- (a) any director, secretary or other similar officer of the body corporate; or
- (b) any person who was purporting to act in any such capacity,

he (as well as the body corporate) shall be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

(7) The fact that a person has committed an offence under this section in connection with any agreement shall not make the agreement void, or unenforceable (whether as a whole or in part) or otherwise affect its validity or give rise to any cause of action for breach of statutory duty.

Tying-in:
enforcement.

107.—(1) Every local weights and measures authority ("an authority") and the Director shall have the duty of enforcing sections 104 to 106 and any regulations made under them.

(2) Nothing in subsection (1) is to be taken as authorising a local weights and measures authority in Scotland to institute proceedings for an offence.

PART VI

(3) Where an authority propose to institute proceedings for an offence under section 106 they shall give the Director notice of the intended proceedings together with a summary of the facts on which the charges are to be founded.

(4) Where an authority are under a duty to give such a notice and summary they shall not institute the proceedings until—

- (a) the end of the period of 28 days beginning with the date on which they gave the required notice and summary; or
- (b) if earlier, the date on which the Director notifies them of receipt of the notice and summary.

(5) Every authority shall, whenever the Director requires, report to him in such form and with such particulars as he requires on the exercise of their functions under this section.

(6) A duly authorised officer of the Director or of an authority ("an authorised officer") who has reasonable cause to suspect that an offence may have been committed under section 106 may, at any reasonable time—

- (a) enter any premises which are not used solely as a dwelling;
- (b) require any officer, agent or other competent person on the premises who is, or may be, in possession of information relevant to an investigation in connection with the provision made by section 104 or 105 to provide such information;
- (c) require the production of any document which may be relevant to such an investigation;
- (d) take copies, or extracts, of any such documents;
- (e) seize and retain any document which he has reason to believe may be required as evidence in proceedings for an offence under section 106.

(7) Any authorised officer exercising any power given by subsection (6) shall, if asked to do so, produce evidence that he is such an officer.

(8) A justice of the peace may issue a warrant under this section if satisfied, on information on oath given by an authorised officer, that there is reasonable cause to believe that an offence may have been committed under section 106 and that—

- (a) entry to the premises concerned, or production of any documents which may be relevant to an investigation in connection with the provision made by section 104 or 105, has been or is likely to be refused to the authorised officer; or
- (b) there is reasonable cause to believe that, if production of any such document were to be required by the authorised officer without a warrant having been issued under this section, the document would not be produced but would be removed from the premises or hidden, tampered with or destroyed.

(9) In the application of this section to Scotland, "justice of the peace" includes a sheriff and "information on oath" shall be read as "evidence on oath".

(10) A warrant issued under this section shall authorise the authorised officer (accompanied, where he considers it appropriate, by a constable or any other person)—

PART VI

- (a) to enter the premises specified in the information, using such force as is reasonably necessary; and
- (b) to exercise any of the powers given to the authorised officer by subsection (6).

(11) If a person—

- (a) intentionally obstructs an authorised officer in the exercise of any power under this section;
- (b) intentionally fails to comply with any requirement properly imposed on him by an authorised officer in the exercise of any such power;
- (c) fails, without reasonable excuse, to give to an authorised officer any assistance or information which he may reasonably require of him for the purpose of exercising any such power; or
- (d) in giving to an authorised officer any information which he has been required to give to an authorised officer exercising any such power, makes any statement which he knows to be false or misleading in a material particular,

he shall be guilty of an offence.

(12) A person guilty of an offence under subsection (11)(a), (b) or (c) shall be liable on summary conviction to a fine not exceeding level 3 on the standard scale.

(13) A person guilty of an offence under subsection (11)(d) shall be liable on summary conviction to a fine not exceeding level 4 on the standard scale.

(14) Nothing in this section shall be taken to require any person to answer any question put to him by an authorised officer, or to give any information to an authorised officer, if to do so might incriminate him.

(15) In this section “document” includes information recorded in any form.

(16) In relation to information recorded otherwise than in legible form, references in this section to its production include references to producing a copy of the information in legible form.

STATUTORY INSTRUMENTS

1992 No.

CONSUMER CREDIT

MORTGAGES

The Residential Property Loans (Tying-in Arrangements)
Order 1992

<u>Made - - -</u>	<u>1992</u>
<u>Laid before Parliament</u>	<u>1992</u>
<u>Coming into force</u>	<u>1992</u>

The Secretary of State, in exercise of the powers conferred on him by sections 105(1), (2), (3), (7) and (8)(a) and 120(2) of the Courts and Legal Services Act 1990(b) and after consultation with the Director General of Fair Trading and such other persons as he considered appropriate, hereby makes the following Order:-

Citation and commencement

1. (1) This Order may be cited as the Residential Property Loans (Tying-in Arrangements) Order 1992 and shall come into force on 1992.

(2) In this Order, "the Act" means the Courts and Legal Services Act 1990.

(a) See the definition of "price" and of "relevant step".

(b) 1990 c.41.

Description of controlled services

2. For the purposes of sections 104, 105 and 106 of the Act "controlled services" means any service provided together with a residential property loan.

Meaning of relevant step

3. "Relevant step" means the first step taken by the borrower towards being provided with a loan or a controlled service after receipt of a written statement of the terms and conditions on which the lender would be prepared to provide the loan to the borrower.

Meaning of price

4. - (1) For the purpose of section 104 of the Act, "price" in relation to a controlled service means -

(a) if the amount is known and is fixed, the amount payable for that service;

(b) if the amount is known but is liable to vary, that amount and the circumstances in and limits within which it may vary;

(c) if the amount is not known -

(i) the manner in which it will be calculated or the

factors which will be relied on in making the calculation, and

(ii) the circumstances in which it will be increased or the type of unforeseen factor which might affect it (together with any significant assumptions about such factors);

(d) if there is more than one payment payable for that service, the number of payments to be made for the service, the times when the payments are due and the circumstances in which either the number or the times may be varied;

(e) if the price is paid by adding the amount of the price to the loan, the amount by which the interest payable in the course of a year will be increased on the assumption that the rate of interest applicable to the loan for the time being will continue to be charged;

(f) if the price is not a payment for the service but a change in the rate of interest applicable to the loan, the amount by which the interest payable in the course of a year will be increased on the same assumption as in subparagraph (e) above;

(g) to the extent that the price consists of any amount spent or to be spent by the provider of the service on behalf of the borrower, that amount unless the provider

expressly informs the borrower in the statement of the price that any such amount will also have to be paid by the borrower.

(2) The amount of any payment or any estimate referred to in paragraph (1) above (other than subparagraph (g)) shall be the amount payable by the borrower inclusive of value added tax at the appropriate rate prevailing for the time being and of any amount already paid by him for or in respect of the service, but exclusive of any amount spent or to be spent by the provider of the service on behalf of the borrower.

Circumstances in which land is to be treated as for a person's residential use

5. For the purposes of section 104(1) of the Act, land shall be treated as being for a person's residential use unless it is reasonable for the lender to believe that residential use would not be the sole or main purpose for which the land is to be used.

Persons to be treated as a person's dependants

6. For the purposes of section 104(1) of the Act, a person shall be treated as a dependant of another person if
he -

- (a) is wholly or partly maintained by that other person;
- or

(b) is or is intended to be permitted by that other person gratuitously to occupy the land or part of it, whether exclusively or not.

Circumstances in which section 105(5) of the Act will not have effect

7. Except for the purposes of section 106(3) of the Act, neither paragraph (a) nor paragraph (b) of section 105(5) of the Act shall have effect in any case in which the residential property loan in question is available to the borrower on the same terms and conditions whether or not a controlled service is provided by the lender or any other person referred to in section 105(5) of the Act.

1992

EXPLANATORY NOTE

(This Note is not part of the Order)

This Order makes provisions relating to the requirements in the Courts and Legal Services Act 1990 ("the Act") which deal with the situation where residential property loans and "controlled services" (as defined by article 2 of this Order) are offered as part of a package.

The Order -

- defines "controlled services" (article 2);
- defines the expressions "relevant step" and "price" for the purpose of section 104 of the Act (articles 3 and 4);
- specifies the circumstances in which land is to be treated as being for a person's residential use (article 5);
- specifies who are to be treated as a person's dependants (article 6);
- specifies the circumstances in which section 105(5) of the Act (which has the effect of treating the lender as providing a controlled service in certain cases) is not to apply (article 7).

 STATUTORY INSTRUMENTS

1992 No.

CONSUMER CREDIT

MORTGAGES

 The Residential Property Loans (Tying-in Arrangements)
 (Notices and Statements) Regulations 1992

<u>Made - - -</u>	<u>1992</u>
<u>Laid before Parliament</u>	<u>1992</u>
<u>Coming into force</u>	<u>1992</u>

The Secretary of State, in exercise of the powers conferred on him by sections 105(8)(a) and 120(2) of the Courts and Legal Services Act 1990(b) and after consultation with the Director General of Fair Trading and such other persons as he considered appropriate, hereby makes the following Regulations:-

Citation and commencement

1. - (1) These Regulations may be cited as the Residential Property Loans (Tying-in Arrangements) (Notices and Statements) Regulations 1992 and shall come into force on 1992.

(2) In these Regulations, "the Act" means the Courts and

(a) See the definition of "notice" and of "statement".

(b) 1990 c.41.

Legal Services Act 1990.

Form of notices and statements

2. - (1) The notices and statements referred to in section 104(3) of the Act shall be in the form prescribed by this regulation.

(2) They shall be contained in a single document consisting of two or (where paragraph (5) below applies) three sections, each section either to be on separate pages from the other or others or to be separated from the other or others by means of a prominent line drawn across the page, by the use of distinctive shading of different parts of the page, or by some other clear and obvious means.

(3) The first section shall contain the following in the order set out below:

- (a) "IMPORTANT INFORMATION ABOUT YOUR PROPOSED MORTGAGE";
- (b) "The loan can be provided together with the following service[s]:" followed by a list of the service or services;
- (c) "Price information about [these] [this] service[s] is attached";

(d) "This loan is also available without any other service";

(e) either -

"This document also describes the extent to which the terms and conditions of this loan would differ if provided without [these] [this] other service[s]" or

"The terms and conditions of this loan will be the same whether or not provided with [any of these] [this] other service[s]",

as appropriate;

(f) either -

"The terms and conditions of this loan may change, even after it has been made" or

"The terms and conditions of this loan cannot change after it has been made",

as appropriate.

(4) The second section shall commence with the heading

"PRICE INFORMATION" and contain a statement of the price of each of the services listed in accordance with paragraph (3)(a) above, the statement of each price being followed by:

"The loan and [name of service] are separate services. The loan is also available without this or any other service.";

and for the purpose of this paragraph "price" has the meaning given by article 4 of the Residential Property Loans (Tying-in Arrangements) Order 1992(a).

(5) The third section shall be required only if the terms and conditions of the loan would differ if it were to be provided by the lender without any controlled services begin provided by him and shall in that case contain the following:

"TERMS AND CONDITIONS OF THE LOAN

The loan is also available without any other service. If you decide to take only the loan, the terms and conditions will be different. The differences are described below. There will not be any other difference in the loan.",

followed by the particulars specified in paragraph (6) below.

(6) The particulars referred to in paragraph (5) above are

an indication of the difference in each term or condition of the loan which would differ if it were to be provided by the lender without any controlled services being provided by him, the indication in each case consisting of a description of the term or condition and the words -

"If you decide to take the loan without any other service, the difference in the [term or condition in question] will be"

followed by a simple description of the difference.

(7) Where a difference an indication of which is given as specified in paragraph (6) above consists of a difference in the rate of interest applicable to the loan, the description of the difference required by that paragraph shall include an indication of the amount by which the interest payable in the course of a year will differ on the assumption that the rate of interest applicable to the loan for the time being will continue to be charged.

Supplemental

3. - (1) The first section of the document provided for by regulation 2 above shall contain no additional matter other than any or all of the following:

name of the lender;

address of the lender;
name of the borrower;
address of the borrower;
amount of the loan;
period over or at end of which the loan must be repaid;
identification of the land upon which the loan is to be
secured;
identification or description of any other security;
whether repayment of the principal of the loan is to be in
instalments or at the end of the period mentioned above;

and any such matter shall either precede the matter required by paragraph (3) of regulation 2 above or be inserted between the matter required by subparagraph (a) of that paragraph and that required by subparagraph (b).

(2) The second and third sections of the document provided for by regulation 2 above shall contain no additional matter whatever.

(3) The matter required by regulation 2(3)(a) above, the heading required by regulation 2(4) above and the heading set out in the matter required by regulation 2(5) above shall be printed in capital letters.

(4) Each statement of price required by regulation 2(4) above and each indication of a difference given as specified in regulation 2(6) above shall be set out separately from every

other such statement or indication.

(5) All matter required by these Regulations shall be printed in such a way that it is clearly legible and (save to the extent that the use of capital letters is required by paragraph (3) above) no less prominent than any other matter (other than the name of the lender) in the same document.

1992

EXPLANATORY NOTE

(This Note is not part of the Regulations)

These Regulations makes provisions relating to the requirements in the Courts and Legal Services Act 1990 ("the Act") which deal with the situation where residential property loans and "controlled services" (within the meaning of section 104 of that Act) are offered as part of a package. (The meaning of "controlled service" is provided for in article 2 of the Residential Property Loans (Tying-in Arrangements) Order 1992 as any service provided together with a residential property loan.)

They specify the form of the notices and the statement which must be provided to the borrower by the lender before a relevant step (as defined in article 3 of that Order) is taken with respect to any of the controlled services or the residential property loan.

Preliminary Compliance Cost AssessmentConsumer Credit (Quotations) Amendment Regulations

The proposals require borrowers to be given two categories of information when they first make contact with a broker or lender. The first category is information about that lender's or broker's policy over links between services and loans; the second category is statutory wording according to that lender's or broker's policy. The information may differ according to whether the borrower is interested in a loan to buy residential property or some other loan secured on the home. There is unlikely to be any other differences for any particular lender or broker. It is expected that this information will be incorporated in brochures and handouts, without significant addition to their cost. Even allowing for a high ratio of brochures provided to loans made or arranged, this further information is not expected to add more than £1 to the administrative costs of each loan.

There will also be costs of introducing these changes, including the cost of the administrative and professional costs involved in bringing in new brochures, etc; rewriting computer programs; training; etc. These are provisionally estimated at £8 million.

Courts and Legal Service Act Order and Regulations

The requirement here is for an extra document to accompany the written statement of the terms under which a lender is prepared to make a loan for the borrower to buy a residential property for his own or a dependant's use. Noting that:

the tying-in provisions of the Courts and Legal Services Act 1990 will in any event ensure that the lender must be as willing to provide such a loan without any other service being provided with it; and that

the borrower already has a right to detailed information under the Consumer Credit (Quotations) Regulations 1989;

it would appear that, apart from statutory notices, this extra document will include only a limited amount of information additional to that the lender might have been required to provide in any event. However this document will have to be provided in all instances where a lender provides other services to a borrower together with a loan to buy a residential property. On the other hand, the standardised format should keep costs down.

This requirement is very much simpler than that proposed in the previous consultation document. In contrast to the previous proposals where the information would have been provided to those making general enquiries, under the revised proposals in almost every case in which the information is provided, the loan will be concluded. It therefore seems reasonable to assume that the extra administrative costs for each loan would be less than one-fifth of the industry's estimate of the cost or the previous proposals, ie less than £1 per loan.

Under the revised proposals, lenders are not expected to have problems in introducing systems to ensure that the regulations are complied with. It therefore seems reasonable to assume that the introductory costs will be no greater than the industry's first estimate for the previous proposals, ie £15 million. There are more than 200 lenders of residential property loans. For average lenders the once-off introductory costs might be £50,000-£100,000.

TYING-IN OF SERVICES TO RESIDENTIAL PROPERTY LOANS:
CONSULTATION OVER SUBORDINATE LEGISLATION

LIST OF CONSULTEES

Advertising Association
Advertising Standards Authority
Aetna (UK) Ltd
Albany Life Assurance
Alliance of Small Firms & Self-Employed People
Allied Dunbar Assurance plc
Armitage & Young Investment Management Ltd
Association of British Credit Unions
Association of British Insurers
Association of County Councils
Association of District Councils
Association of Independent Business
Association of Independent Estate Agents Ltd
Association of Local Authorities (Northern Ireland)
Association of London Authorities
Association of Metropolitan Authorities
The Automobile Association
Banking Ombudsman Office
Bank of England
Bar Association for Commerce, Finance and Industry
Barlow, Lyde & Gilbert
Beachcroft Stanleys
Benchmark Group plc
Bird & Bird, Solicitors R L Bidmead LLB
Birkett Westthorp & Lang

Black Horse Agencies Ltd
William Blakeney, Solicitor
Booth & Co, Solicitors
Bretton Financial Service Ltd
Britannia Building Society
British Bankers Association
British Insurance and Investment Brokers Association
British Insurers International Committee
British Legal Association
British Property Federation
British Telecommunications plc
Building Societies Association
Building Societies Commission
Building Societies Ombudsman
Burke Edwards, Solicitors
Butterworths Consumer Law Bulletin
CCN Systems Ltd
CSM Parliamentary Consultants Ltd
B J Campbell Ltd
John Charcol
Charles Barkets, Solicitors
Chartered Association of Certified Accountants
Chief Trading Standards Office
Citizens Advice Scotland
City & Metropolitan Building Society
Clydesdale Bank plc
Coffin, Mew & Clover
Commission for Local Administration in England
Commission for Local Administration in Scotland

Commission for Local Administration in Wales
Committee of London and Scottish Bankers
Confederation of British Industry
Confederation of British Industry (Employee Relocation Council)
Confederation of British Industry in Scotland
Consultative Committee of Accountancy Bodies
Consumer Credit Association (UK) Ltd
Consumer Credit Trade Association
Consumer Law Today
Consumers Association
Consumers in the European Community Group
Convention of Scottish Local Authorities
Co-operative Insurance Society Ltd
Co-operative Union Ltd
Corporation of Estate Agents
Corporation of Finance Brokers
Corporation of Insurance and Financial Advisors
Corporation of Lloyds
Council of Mortgage Lenders
Credit & Data Marketing Services
D & D Consultants Ltd
Dr S R Coverley
The Daily Telegraph
Department of economic Development (Northern Ireland), Trading Standards
Department of Environment
Dewt Rogerson
Direct Line Insurance plc
Director General of Fair Trading

Dunfermline Building Society
Equity and Law Life Assurance Society plc
Ms C Evans
Faculty of Actuaries
Faculty of Advocates
Family Base
Federation of Estate Agents
Fenchurch South Eastern
FIMBRA
Finance for Business
Finance House Association
Financial Times
Forum of Private Business
The French Embassy
Freshfields, Solicitors
General Consumer Council of Northern Ireland
General Council of the Bar
General Portfolio
George Gledhill & Partners
C Godwin
Government Actuary's Department
Goldehouse
The Guardian
HM Land Registry
HM Treasury
Hammon Sluddards, Solicitors
Hepworth & Chadwick, Solicitors
Hinckley & Rugby Building Society
Holman, Fenwick & William

House Building Federation
Housing for Wales
Housing for Corporation
IFA Promotion Ltd
IMRO
Incorporated Association of Architects and Surveyors
Incorporated Law Society of Northern Ireland
Incorporated Society of British Advertisers
Incorporated Society of Valuers and Auctioneers
The Independant
Independent Estate Agent Network Ltd
Infolink Ltd
Inland Revenue (Savings and Investment Division)
Institute of Actuaries
Institute of Business Ethics
Institute of Chartered Accountants in England & Wales
Institute of Chartered Accountants in Northern Ireland
Institute of Chartered Accountants in Scotland
Institute of Consumer Advisers
Institute of Credit Management Ltd
Institute of Directors
Institute of Economic Affairs
Institute of Insurance Brokers
Institute of Legal Executives
Institute of Practitioners in Advertising
Institute of Revenues, Rating and Valuation
Institute of Trading Standards Association
Insurance Brokers Registration Council
Insurance Age/Money Week

The Insurance Ombudsman
Invicta Morgage Centre
Irish Embassy
D Keenan
Landed Property Consultative Council
LAUTRO
LAWNET
Law Commission
Law Group UK
Lawrence Graham
Law Reform Group
Law Society of England and Wales
Law Society of Northern Ireland
Law Society of Scotland
Legal Practice Directories
Legal Protection Group Ltd
Lesbern Brokers Ltd, Lewis Silkin
Life Insurance Association
Linked Life Assurance Group
Linklaters & Paine, Solicitors,
Liverpool & Victoria Friendly Society
Lloyds Abbey Life plc
Lloyds Bank plc
Lloyds of London
Local Authorities Coordinating Body on Trading Standards
London & Edinburgh Insurance Group
London Boroughs Association
London Borough of Bexley
London Borough of Ealing

London Borough of Redbridge
London Borough of Richmond
London and Manchester Group
Long Stop Company
Lord Chancellors Department
R Lynes
Macfarlanes
Merchant Investment Assurance Co Ltd
Mortgage Services Ltd
Natwest Government Relations Dept
National Association of Citizens Advice Bureaux
National Association of Estate Agents
National Chamber of Trade
National Consumer Council
National Consumer Credit Federation
National Federation of Consumer Groups
National Federation of Credit Unions
National Federation of Independent Financial Advisers
National Federation of the Self-Employed and Small Businesses
National Homes Network
National Home Loan Group
National Homes Network
National House Builders Federation
National Housing and Town Planning Council
National Ireland Bankers Association
Newspaper Society
North Yorkshire County Council TSD
Northern Ireland Office of Law Reforms
Northern Ireland Court Service

Norwich Union Insurance Group
Norwich Union Legal Services
Office of Fair Trading
Office of the Ombudsman for Corporate Estate Agents
Pearson Jones & Co Ltd
Phillips & Buck Solicitors
Pensent & Co Solicitors
Providence Capital
Prudential Corporation
Randals Parliamentary Service
Registry of Friendly Societies (Scotland)
Relocation Services Institute
Review Committee on Banking Services Law
Richards Life Holdings Ltd
Scottish Association of Citizens Advice Bureaux
Scottish Consumer Council
Scottish Courts Administration
Scottish Federation of Housing Associations Ltd
Scottish Home and Health Department
Scottish Independent Intermediaries Association
Scottish Law Commission
Scottish Solicitors Office
Scottish Trades Union Congress
H Scrope, Solicitor
Securities and Investments Board
Security Pacific Insurances Group
Shepherd & Wedderburn
Sherringtons Solicitors
Simpson Curtis Solicitors

Slaughter & May, Solicitor
Society of Writers to HM Signet
Society of Writers to HM Signet
Solicitors Property Group
Stamps Solicitors
N Stanbrook
Strathclyde Regional Council TSD
Stephenson Harwood
W H Thomas
Trading Law Periodicals Ltd
Tillinghast
The Times
Trades Union Congress
Trading Raw Periodicals Ltd
Treasury
TSB Group plc
Turner Kenneth Brown, Solicitors
UK Federation of Business and Professional Women
UK Insurance Brokers European Committee
Union of Independent Companies
K Weetch
Weightman Rutherfords (Solicitors)
Welsh Consumer Council
Westcot Data Ltd
Woolwich Buildings Society
Women's National Commission